# FINANCIAL TIMES

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**Reagan facing a testing time in Reykjavik, Page 18**

World news

## Reagan firm on 1987 spending

The White House and Congress were squaring up to each other over arms control as US President Reagan left for Iceland to meet the Soviet leader, Mr Gorbachev.

Hopes of a compromise faded after key administration officials made clear that the President was prepared to shut down the Government from midnight on Friday if Democrats in the House of Representatives did not drop two major provisions included in an omnibus spending bill for 1987.

### Killings condemned

European Parliament condemned the execution by Indonesia of nine communists accused of plotting a coup 21 years ago and said it was a flagrant violation of human rights. Page 4

### Call on Nato

President of Greece, Christos Sartzetakis, called on Nato to guarantee his country's eastern borders against a possible attack by neighbouring Turkey.

### Nuclear-free zone

European Parliament called for the creation of nuclear-free zones in Europe and an end to the militarisation of space.

### Appeal rejected

Iran has rejected a resolution passed by the UN Security Council calling for a ceasefire in the Gulf war, Tehran radio said.

### Libya pays claim

Libya paid Norway $500,000 in damages for illegally detaining a Norwegian freighter and its crew in 1984, the Norwegian Foreign Ministry said.

### 'Mafia' killings

Suspected Mafia gunmen have killed three more people in Sicily, including an apparently innocent woman, police said, as the funeral was held of an 11-year-old boy shot dead earlier this week.

### Ambassador killed

Romania's ambassador to Turkey Vasile Patilinet, was killed when his car and a lorry were in collision near Istanbul, Hurriyet newsagency reported.

### Emergency aid

United Nations Food and Agriculture Organisation said it would send emergency food aid to southern Sudan to feed 20,000 children at risk of starvation.

### Arrests defended

Ugandan President Yoweri Museveni, defending a wave of political arrests, said he would use force if necessary to quell subversives who take up arms against his eight-month old Government.

### Disarmament talks

Yugoslavia announced that neutral and nonaligned European countries will meet there on October 23 and 24 for talks on disarmament issues.

### Army Marshal dies

China announced that Marshal Liu Bocheng, one of the founders of the People's Liberation Army and a senior member of the communist leadership until the mid-1970s, died on Tuesday at the age of 94.

### Title game drawn

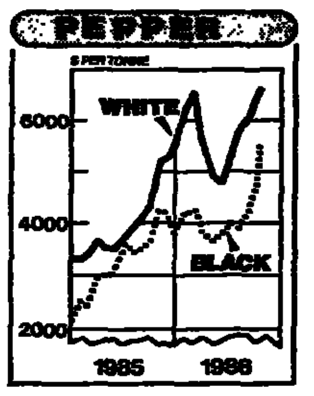
Newly reconfirmed champion Garry Kasparov and Antoly Karpov drew game 24 of their world chess series. The result left Kasparov victor in the match by 12½ points to 11½.

Business summary

## Pharmacia bids SKr 1.27bn for rival

PHARMACIA, Swedish pharmaceuticals and biotechnology group, announced plans to take control of LKB, instruments and chemicals company, for SKr 1.275bn ($186m). Page 21

WALL STREET: The Dow Jones industrial average closed 7.03 down at 1,796.82. Page 44




PEPPER prices are being pushed to record levels as farmers hoard stocks in producing countries. Shortages have become so acute that black pepper prices are trading at $5,500 a tonne and the discount to white pepper has been sharply reduced. Page 36

LONDON: A sharply higher trend emerged amid optimism over the outlook for the Opec meeting. The FT ordinary index gained 20 to 1,268.1, bonds gained as much as 1½ points. Page 44

TOKYO: Securities houses and individual investors drew encouragement from the overnight gain on Wall Street and sought electric powers and blue chips, pushing prices up sharply. The Nikkei market average jumped 135.43 to 17,650.23. Page 44

DOLLAR closed in New York DM 1.9995; SFr 1.6295; FFr 6.545 and Y154.75. It rose in London to DM 2.0055 (DM 1.9970); SFr 1.6300 (SFr 1.6270); FFr 6.5575 (FFr 6.5350), and Y154.90 (Y154.25). On Bank of England figures the dollar's index rose 0.1 to 109.6. Page 31

STERLING closed in New York at $1.4230. It rose in London to $1.4215 ($1.4200). It also rose to FFr 9.3225 (FFr 9.2800); SFr 2.3175 (SFr 2.3100); DM 2.8500 (DM 2.8350), and Y220.25 (Y219.0). The pound's exchange rate index rose to 67.5 from 67.1. Page 31

GOLD fell to $433.375 from $439.375 on the London bullion market. It also fell in Zurich to $433.375 from $439.375. In New York the Comex December settlement was $433.00. Page 30

CHEMICAL NEW YORK parent of the sixth biggest US bank, reported a 3.7 per cent increase in third-quarter net income to $99.1m, while several smaller regional US banks reported sharp increases in earnings. Page 21

LUCKY STORES, diversified Californian retailer which earlier this week rejected a $1.79bn takeover offer from New York investor Asher B. Edelman, is to sell for $374m sites and buildings occupied by its Gemco department store division in California, Arizona and Nevada.

FORD MOTOR, second biggest US car maker, raised the dividend for the fourth quarter from 55 cents to 65 cents, an 18 per cent increase. Page 21

PEPSICO, US soft drinks and food group, boosted earnings and sales in the third quarter, reflecting significant profit growth in domestic operations and improved performance in its Frito-Lay snack-foods unit. Page 21

HAMBROS, UK merchant bank which recently cemented links with Istituto Bancaruo San Paolo di Torino of Italy, said it would welcome other new shareholders as part of its drive for European co-operation. Page 21

# Bonn joins call for Airbus to resume talks on US link

BY DAVID MARSH IN BONN

THE West German Government is urging Airbus Industrie, the European consortium aircraft manufacturer, to resume discussions on collaboration with McDonnell Douglas of the US in a bid to stand up to fierce international competition from Boeing, the other main US aircraft maker.

The move coincides with fresh worries in Bonn over slipping sales of Airbus's main wide-body airliners.

The British Government has strongly argued for a link between Airbus, owned by the leading aerospace groups in France, West Germany, Britain and Spain, and the US company to defray the costs and risk of new aircraft development.

Several months of contacts between Airbus Industries, and McDonnell Douglas were broken off last month after the two sides failed to agree on any immediate strategy of collaboration.

German officials, however, say the Bonn administration is still trying to persuade Messerschmitt Bölkow Blohm (MBB), the German partner in Airbus, of the merits of a link with McDonnell Douglas over building new long range airliners for the 1990s.

The move in German thinking also takes place at a time when the Bonn administration is preparing its position on key aerospace questions to be discussed at the next summit meeting with the French Government in three weeks' time.

Mr Helmut Kohl, the West German chancellor, is to meet next week Mr Franz Josef Strauss, the Bavarian Prime Minister and head of the Airbus Industrie supervisory board, along with senior German ministers to map out a strategy on collaborative aerospace projects ahead of the summit.

Although the ministers will be discussing above all the vexed question of West German participation in France's plan for a manned space aircraft, Hermes, the future of Airbus will also be touched upon, officials said yesterday.

Previous talks between Airbus and Douglas Aircraft, McDonnell Douglas's commercial aircraft arm, have centred on the question of linkages between two new Airbus projects for medium and long range airliners, the A330 and A340, and Douglas's long-proposed MD-11 aircraft.

Discussions have foundered on the two sides' refusal to give up their own projects.

At a time when Boeing has been increasing its dominance of the world airliner market, the German government, however, is arguing that pooling of forces between the A340 and MD-11 projects would increase the chances of successful competition against Boeing's present monopoly in key sectors of the long range airliner market.

Government officials admit that the form this co-operation could take is not yet clear. They add that a key factor in determining whether and how the two sides could get together will be order decisions by international airlines over the next few months in favour of either the A340 or the MD-11.

Background, Page 2

# Pound fails to sustain march out of crisis

BY ROBIN PAULEY IN LONDON AND ANDREW FISHER IN FRANKFURT

STERLING began a march out of crisis yesterday morning before marching smartly back downhill in the afternoon as currency dealers offloaded the pound to underline their dismay at the UK Chancellor of the Exchequer's speech to the Conservative Party conference.

The currency made strong and consistent gains against the dollar and continental European currencies throughout the morning as the markets waited to see whether Mr Nigel Lawson would mount a verbal defence of the battered pound during his speech.

But he made no mention of the crisis, interest rates or the European Monetary System, and from the moment he sat down just before 1pm sterling quickly started to lose most of its morning advances.

A late flurry of support, widely interpreted in the City of London as further Bank of England intervention, helped sterling to close slightly up on the day.

Meanwhile, West Germany's central bank again refused to cut key interest rates yesterday, sticking to its argument that the German economy was already providing a strong stimulus to the rest of the world.

During his most successful speech so far to the Conservative Party conference, Mr Lawson hardly mentioned the recent pressure on sterling or a possible rise in interest rates.

Afterwards Mr Lawson said he did not talk about foreign exchange markets at party conferences but noted that he might talk about some of these issues in an important financial speech at the Mansion House on Thursday.

Mr Lawson's sole reference to sterling was when he said in relation to the Labour Party's economic programme: "no wonder the financial markets have been nervous."

The late recovery in the pound in London meant the sterling index closed at 67.5 and at DM 2.85, one pfennig up on the DM 2.8449 opening. The close of $1.4215 was marginally down on the opening $1.4235 but ahead of Wednesday's close of $1.42.

Dealers in London last night had no doubt that sterling is still deeply troubled. They believe that having staved off a rise in interest rates until his conference speech Mr Lawson is now trying to engineer a further respite until his annual Mansion House speech on economic strategy next Thursday.

Continued on Page 20
Money markets, Page 37

# Hopes rise for arms deal in Iceland

By Stewart Fleming, US Editor, in Reykjavik

US PRESIDENT Ronald Reagan arrived yesterday in Iceland for his pre-summit meeting with Mr Mikhail Gorbachev, the Soviet leader, amid growing optimism that the two superpower leaders would lay the foundations for an interim nuclear arms control agreement covering intermediate range missiles in Europe.

Mr Larry Speakes, the White House spokesman, said as Mr Reagan was leaving Andrews Air Force base in Washington that the President was well prepared and confident of his position.

Mr Speakes went on to say that the proposals the US had put on the negotiating table, form the "basis for face-to-face discussions that hopefully will lead to some progress."

Mr Speakes hinted strongly that Mr Reagan might address the American people on his return to Washington although he made it clear that no final decision on a presidential speech had yet been made.

Mr Speakes said that Mr Reagan had no date in mind for a summit, but the US assumed it would take place after the mid-term Congressional elections due in early November.

As he left the White House yesterday morning, Mr Reagan said: "We go to Reykjavik for peace. We go to this meeting for freedom. And we go in hope."

However, no one could pretend there were no differences between the US and the Soviet Union and success at the pre-summit meeting was not guaranteed.

On intermediate range nuclear weapons, the US is proposing that each superpower cut its missile warheads to about 200, with only 100 each stationed in Europe.

The Soviet Union is believed to be ready to agree to the reductions in Europe, but a sticking point is the number of missiles it would be able to keep in Asia.

In Reykjavik, Soviet officials said that Mr Gorbachev was ready to talk about anything that Mr Reagan wanted to raise, including Soviet military involvement in Afghanistan.

However, they said the Soviet Union was prepared to keep its troops in Afghanistan until the Kabul Government achieved victory over the rebels.

On his departure from Washington Mr Reagan said there were no plans to sign "substantive agreements" in Iceland and that a full-scale follow-on summit was only a possibility.

He said the talks essentially would be a private meeting between him and Mr Gorbachev.

# Pretoria clamps down on foreign UDF funds

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA yesterday banned the United Democratic Front (UDF) from receiving foreign funds in a move which could deal a devastating blow to the country's largest anti-apartheid coalition.

UDF officials feared the move might be a preliminary to outlawing the organisation entirely.

Pretoria declared the front an "affected organisation." As a result the UDF is prohibited from obtaining funds from abroad or using foreign funds which it already has. The Government has appointed a registrar to oversee the front's finances.

Mr Louis le Grange, Minister of Law and Order, said yesterday that the Affected Organisations Act empowered the State President to declare an organisation "affected" if it was believed to be collaborating with or being influenced by organisations outside South Africa. The Government has frequently alleged that the UDF is a front organisation of the proscribed African National Congress (ANC).

Mr Azhar Cachalia, one of the UDF's few national leaders not in hiding or in detention, said yesterday that the Government's action would not affect the individual activities of the UDF's 700 or so affiliated organisations.

Mr Cachalia said that the UDF's ability to raise funds locally had been affected since the declaration of the state of emergency. More than half its income of several million rands now came from abroad – principally from the Nordic countries.

Mr Cachalia said the UDF's national and regional leadership would meet in secret to discuss appropriate action.

He said the UDF intended soon to challenge the Government action in the courts. He agreed with legal experts that the restrictions on the UDF did not extend to its affiliated organisations.

Mrs Albertina Sisulu, the UDF president expressed no surprise at the Government's action. She said the UDF and its affiliates had been harassed since the declaration of a state of emergency. Its offices had been searched by the police, its leaders arrested and some of its members had been or were now appearing in court on charges of treason. Mr Cachalia said between 70 per cent and 80 per cent of the people detained under the state of emergency were affiliated to the UDF. The Detainees' Parents' Support Committee (DPSC) has estimated that about 20,000 people remained in emergency detention.

Mr Colin Eglin, the leader of the official opposition Progressive Federal Party said restrictions would do nothing to solve the country's fundamental political problems and were symptomatic of South Africa's deteriorating internal political situation. He said: "When will the Government come to realise that a solution to our problems is not to be found in restrictions and coercion but in fundamental political reform through negotiation with leaders of all sections of our people. Until the Government comes to terms with this reality it will lock itself, and with it the people of South Africa, into a process of reducing political freedom."

Bitter pill for Mozambique, Page 4

# Lawson sets target of zero inflation

BY PETER RIDDELL, POLITICAL EDITOR, IN BOURNEMOUTH

MR NIGEL Lawson the UK Chancellor of the Exchequer, yesterday sought to calm nervous financial markets by promising he would never take risks with inflation and would keep public borrowing firmly under control.

In line with the skilfully orchestrated conference slogan of "the next move forward" Mr Lawson stressed the targets of cutting taxation, increasing privatisation and private share ownership, and said the aim was to achieve zero inflation in the next parliament.

On taxation, he reaffirmed his "long-term aim" of reducing the basic rate of income tax from 29 to 25 per cent. But he did not set out any specific time-table and his caution was seen by some MPs as implying a reduction phased over at least two years.

Mr Lawson's sole reference to sterling was when he said in relation to the Labour Party's economic programme: "No wonder the financial markets have been nervous."

"We will not engage in an irresponsible spending spree. We will keep borrowing firmly under control." Noting his aim of cutting taxes, Mr Lawson said: "We will never, never take risks with inflation. So we will reduce taxation as and when it is prudent to do so."

Noting that two fifths of the pre-1979 state sector of industry will have been privatised by the end of next year Mr Lawson said: "In the next parliament we will privatise most of what remains." No specific list or timetable has been drawn up.

Mr Lawson gave the aim in the next parliament of doubling the number of people directly owning shares in British industry on top of the doubling of the 1979 number.

His other firm pledge was the aim of eliminating inflation.

Mr Lawson's amusing and hard-hitting speech was clearly aimed mainly at the conference and was

Continued on Page 20
Conference report, Page 13

# First Boston plans $3bn issue backed by GM vehicle loans

BY WILLIAM HALL IN NEW YORK

A RECORD $3.2bn note issue backed by General Motors vehicle loans is being planned by First Boston, a leading Wall Street securities house.

The issue, the largest of any type by a non-government borrower in US capital markets, marks a rapid acceleration in the new business of turning consumer and corporate debts into securities, a technique known as securitisation. Volume could reach $10bn this year, First Boston estimates.

The notes further illustrate the way commercial banks are losing some of their traditional lending business to securities firms. Much wholesale bank lending, for example, has been overtaken by the fast expanding market for commercial paper issued by corporations. Bankers are concerned that other types of traditional bank lending are now being increasingly securitised by their investment bank competitors.

First Boston's notes will be backed by new car and light truck loans written by General Motors during its present low cost financing promotion. The campaign was launched last month to help sell large stocks of 1986 model vehicles.

GM, which will continue to administer the loans, will be obliged to repurchase any defaulted loans up to a total of 5 per cent of the collateral for the notes, which are called Asset Backed Obligations (ABOs). The notes will also carry a letter of credit from Credit Suisse, the big Swiss bank.

First Boston expects the ABOs to attract triple A ratings, the highest, because of the quality of the loans and the Credit Suisse guarantee. GM's 2.9% interest rate has attracted many buyers who normally paid cash for their vehicles said Mr Anthony Dub, managing director in charge of First Boston's asset finance group.

The ABO will be priced next week to yield, First Boston hopes, only 70 to 80 basis points (0.7 to 0.8 of a percentage point) more than US Treasury securities of similar maturity. The average life of the three ABO tranches will be 1.05 years, 2.20 years and 3.04 years.

Mr Dub said this new form of financing is the cheapest available to corporations on the basis of the total cost of capital.

First Boston, drawing on its experience packaging mortgages as securities opened up the asset-backed market to corporations in March 1985 with a $192m issue for Sperry backed by the company's computer leases.

Since then, a total of about $5.2bn of notes have been issued backed by assets such as motor vehicle loans and computer leases. About $1bn were private placings backed by receivables such as credit card debts and farm equipment loans. First Boston claims 90 per cent of the market.



CONTENTS

Europe ............ 2, 3
Companies ............ 21
America ............ 6
Companies ............ 21, 22
Overseas ............ 4
Companies ............ 23
World Trade ............ 8
Britain ............ 13, 14
Companies ............ 26–29

Agriculture ............ 36
Appointments ............ 31
Arts – Reviews ............ 17
– World Guide ............ 16
Business Law ............ 11
Commodities ............ 36
Crossword ............ 33
Currencies ............ 37

Editorial comment ............ 18
Eurobonds ............ 24
Euro-options ............ 23
Financial Futures ............ 37
Gold ............ 36
Intern. Capital Markets ............ 24
Letters ............ 19
Lex ............ 20
Lombard ............ 19
Management ............ 15
Market Monitors ............ 42
Men and Matters ............ 18
Money Markets ............ 37
Property ............ 39
Raw Materials ............ 36
Stock markets – Bourses ............ 41, 44
– Wall Street ............ 41–44
– London ............ 38–41, 44
Technology ............ 9
Unit Trusts ............ 33–35
Weather ............ 20

**Pretoria** delivers a bitter pill ............ 4
**Military projects:** India woos superpowers ............ 8
**Technology:** European case for biofuels ............ 9
**Management:** Daily Telegraph survival plan ............ 15
**Editorial comment:** Talks in Iceland; Israeli politics ... 18

**Iceland Meeting:** Test for Reagan ............ 18
**Poland:** Jaruzelski's amnesty for dissidents ............ 19
**Lombard:** Private profits, public costs ............ 19
**Lex:** Cons Gold; Sterling; TSB; Stand Chartered ... 20
**Survey:** management buy-outs ........ Section III

# Spanish premier under fire over Nato policy

BY DAVID WHITE IN MADRID

MR FELIPE GONZALEZ, the Spanish Prime Minister, will face the combined fire of both pro-Nato and anti-Nato opposition parties next week over the Government's handling of its policy towards the alliance.

Parties ranging from the conservative right to the Communists agreed yesterday to press a joint series of questions in Congress on what they claim to be a covert move to bring Spain into Nato's military structure.

This would be contrary to the terms of the question put to Spaniards in the Nato referendum last March, when a majority voted in favour of staying in the alliance. The Government has repeated its policy of remaining outside the military command structure.

The storm blew up over a nine-point memorandum sent to Nato headquarters in Belgium on Spain's role in the alliance. Although a version of the memorandum, alleged to have been leaked in Brussels, has been published by a Spanish magazine, the Government has insisted on its confidential nature.

Mr Felipe Gonzalez

The opposition plan to tax Mr Gonzalez on the issue followed a joint walkout on Wednesday from a closed-door session of Congress's foreign affairs commission over the Government's refusal to allow the parties free access to the document.

The row, which brings the Nato issue back into the centre of Spanish domestic politics, has awkwardly coincided with a visit to the contested British colony of Gibraltar by Gen Bernard Rogers, Nato's supreme commander in Europe.

# Libya pays for death of Norwegian seaman

By Fay Gjester in Oslo

MORE THAN a year after accepting liability, and after repeated Norwegian government reminders, Libya yesterday finally paid Norway $500,000 compensation for the death of a Norwegian seaman, and the brutal treatment of several of his shipmates, when their vessel was arrested in Tripoli in May 1984.

The money will be shared among the crew, the shipowner, and the murdered man's family.

This is believed to be the first time Libya has ever paid such compensation.

Mr El-Hadi Omar El-Heriq, head of the Libyan "Peoples Bureau" in Copenhagen, presented the cheque to Mr Knut Frydenlund, Norway's Foreign Minister, in Oslo.

The agreement to pay was reached in July 1985, after negotiations in Tripoli between Dr Ali Treike, the Libyan Foreign Minister, and Norway's ambassador to Greece, also accredited to Libya.

Dr Treike conceded then that the treatment of the ship "Germa Lionel" and its crew had been illegal. The vessel was arrested and held for over a month. Many of its crew were subjected to interrogation and torture, on suspicion of spying, by a so-called "People's Committee."

**David Marsh on W German worries about high-risk projects and sluggish sales**

# Why Bonn wants a US link for Airbus

WORRIES over the financial outlook for Airbus Industrie, the European airliner manufacturing consortium, have prompted the West German Government to push further the idea of collaboration between Airbus and McDonnell Douglas of the US.

The concern has continued despite the consortium's order last week from Northwest Airlines of the US for aircraft, which could be worth $3bn. Officials in Bonn say the Government is backing possible technological and commercial links between Airbus and McDonnell Douglas over building a new generation of long range airliners for the 1990s in an attempt to improve the outlook.

A statement from Airbus Industrie last month saying that talks between the consortium and McDonnell Douglas had ended for the moment is regarded in Bonn as being of only provisional significance.

"By the end of the year, the world could look different," said one official. "The Bonn Government has thus joined the UK Administration in coming out in favour, under the appropriate conditions, of a link between Airbus and the US group."

This is because the possible cost and risks of the new Airbus projects to build the short- to medium-range two-engine A330 combined with the long-range four-engine A340 are starting to cause concern in both London and Bonn.

Additionally the Bonn government is also worried about the effect of the sharp fall in the dollar on sales of Airbus's older wide-body jets, the A300 and A310, which have been very sluggish over the past 18 months.

Combined with a highly aggressive sales campaign by Boeing, the world's dominant airliner manufacturer, to win wide-body jet orders, the latest currency changes have caught Airbus in a "pincer" movement, the official said.

Optimism over the outlook for Airbus in Bonn has not been noticeably increased by the consortium's success in clinching the agreement to sell up to 100 of its latest A-320 narrow body jets to Northwest Airlines in a deal which could be worth a total of more than $3bn.

Some of the credit for this order has been claimed by Mr Franz Josef Strauss, the leader of the Bavarian Christian Socialist coalition party in the Bonn Government and chairman of Airbus Industrie's supervisory board. Mr Strauss visited the US in the summer in an attempt to whip up support for the consortium on the American market.

Part of the high profile Mr Strauss has recently been taking on the Airbus question is also explained by the imminence of the Bavarian state parliamentary elections taking place on Sunday.

Mr Strauss: some credit for Northwest Airlines order.

Bonn officials say the success of the A320, which makes its first flight next year and is due to enter service in 1988, has been due to uncertainties over the world airline traffic outlook which are pushing airlines towards narrow-body aircraft rather than wider ones.

Airbus Industries is owned 37.9 per cent each by Aerospatiale of France and Deutsche Airbus (a subsidiary of Messerschmitt Boelkow Blohm) of West Germany, 20 per cent by British Aerospace and 4.2 per cent by Casa of Spain. It has been losing considerable ground against Boeing recently in the overall battle for airliner orders.

The idea of a link-up with Douglas Aircraft, McDonnell Douglas's commercial aircraft company, would be to combine forces especially on the very long-term airline sector as a means of attenuating Boeing's highly profitable monopoly in this area.

However, Douglas has its own project for a new long-range airliner—the MD-11—which it hopes to bring out by 1990 as a derivative of its long-serving DC-10.

Neither of the two companies up to now has been willing to give up its own long-range airliner project. This has resulted in a stalemate in the contacts the two sides have been holding over co-operation since the end of last year.

Lufthansa, the German national carrier, as well as Swissair and other international airlines such as Singapore Airlines and Northwest and Delta of the US, are however expected to make up their mind soon on whether to buy the A340 or the MD-11.

This would provide the impulse allowing either Airbus or McDonnell Douglas to be first in the field in launching their project as a firm programme and could set the framework for subsequent collaboration between them on financing and constructing the new airliners, Bonn officials say.

The decision by Lufthansa, which is majority owned by the German Government but which normally follows an independent purchasing policy, is being particularly awaited as setting the tone for Airbus's overall future strategy.

The German Government remains politically committed to the A 330/340 programmes, both to boost the country's overall aeronautic industry prowess and to further co-operation with France.

However, worries are deepening over the cost. "We haven't seen yet all the Airbus bills. They will be fearful," said another official yesterday.

The Economics Ministry, which is already budgeting for DM 200m (£70m) in spending on A330/340 development next year, is considering other ways of supporting the Airbus programmes through possible use of the aircraft for military purposes.

Although the idea of using the A320 in an anti-submarine warfare role by the German air force has been given up, the suggestion of turning wide body airliners into tankers for mid-air refuelling of air force jets is still being considered.

Mid-air refuelling capacity could be needed in the early 1990s to allow more low level flight training to take place outside the country at a training area in Turkey which is being considered by Nato



# Solidarity council ruled illegal

A GDANSK provincial official has ruled a provisional council created by the banned Solidarity trade union is illegal because it posed a threat to public order, Solidarity members said yesterday, AP reports from Warsaw.

The decision was expected. The Government's chief spokesman, Mr Jerzy Urban, said last week the Solidarity Council was an illegal organisation and that its members risked imprisonment.

In response to last month's general amnesty for political prisoners, Mr Lech Walesa, the Solidarity chairman, named seven former underground leaders to a provisional union council that will forego clandestine work and press the movement's causes in the open.

"I am not disappointed, one could expect such a decision," Mr Walesa said in a telephone interview. "My reaction is: calm, no unnecessary emotions. We will think about what to do about it."

The ruling, which was dated Monday, came from the director of the socio-administrative department at the Gdansk provincial office, who questioned Mr Walesa last week on the council's aims.

The seven members of the council also were summoned for questioning by local provincial officials on the matter.

The socio - administrative department is empowered to determine the legality of organisations established by citizens and can ban them or declare them illegal.

Mr Jozef Pinior, a council member, said the decision by the Gdansk official said the organisation "may cause a threat to security, peace or public order."

"The investigation concluded that the creation of the organisation . . . cannot function within the legal order because its creation was not legalised on the basis of the law on associations or other legal regulations," the decision said.

# Greece's current account balance stays in black

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE'S monthly current account balance was in the black for the second month running last August, mainly because of an increase in earnings from tourism and a drop in oil imports compared to the same month last year, according to Bank of Greece figures released yesterday.

The overall current account deficit for the eight-month period between January and August 1986 was contained at $1.207bn, compared to $2bn in the same period last year.

Under an economic stabilisation programme introduced a year ago, on the basis of which Greece secured and Ecu 1.75bn (£1.28m) European Community support loan the authorities are aiming to reduce the current account deficit for 1986 to $1.7bn compared to a record $3.3bn in 1985.

The improvement in the first eight months of this year can be traced mainly to a 45 per cent reduction in imported oil costs relative to the same period last year, a 26.2 per cent increase in earnings from tourism, and a 67.7 per cent increase in EEC receipts.

Non-oil imports, however, have proved resistant to the October 1985 austerity measures which included a compulsory import deposit requirement for over one-third of the products coming into Greece, a 15 per cent devaluation of the Drachma and a virtual freeze of wages and salaries.

Between January and August non-oil import costs went up by 14.8 per cent, compared with the first eight months of 1985. Overall earnings from exports, however, improved by only 1.5 per cent.

# President demands border guarantees from allies

BY OUR ATHENS CORRESPONDENT

THE PRESIDENT of Greece, Mr Christos Sartzetakis, called on Nato this week to guarantee his country's eastern borders against a possible attack by neighbouring Turkey. He accused the alliance of acting like "a latterday Pontius Pilate" in treating the disputes between Athens and Ankara in the Aegean as a purely bilateral issue.

A bid to secure Nato's guarantee of Greece's borders against Turkey has been made in the past by the Greek Socialist Government headed by Prime Minister Andreas Papandreou. This foundered on a Turkish veto.

Dr Papandreou himself warned Nato allies last Monday that Greece "is not a banana republic," after a fierce row broke out over Nato exercise, Display Determination, which is taking place in the Aegean this month without the participation of Greek forces.

Greece complained that the Nato authorities had not provided information essential for ensuring the safety of civilian flights, on planned fighter jet manoeuvres above an altitude of 10,000 ft, and that its flight information region (FIR) was repeatedly violated by Turkish and US military aircraft.

The Greek president, whose role is that of a non-party political head of state, delivered his views on Nato in the emotive setting of the North Aegean island of Lemnos which celebrated the 74th anniversary of its liberation from Ottoman rule on Wednesday. He castigated Nato for failing to include Lemnos in exercise plans, because of Greece's abstention from alliance exercises in the Aegean for the past four years.

# W German aid for Turkey

WEST GERMANY has offered Turkey extensive military and economic aid in return for concessions on the issue of free movement for Turks in the European Community, government officials said yesterday, Reuter reports from Bonn.

They said the offer, worth DM 750m (£262m) was made at talks between senior officials in Ankara on Monday and Tuesday.

The offer was conditional on a settlement between Turkey and the Community over what Turkey regards as the right to free movement for its citizens in the Community from December 1 under the terms of an association treaty, the officials said.

# Private Italian TV network set for major shake-up

BY JOHN WYLES IN ROME

RAI, the Italian state-controlled radio and television group, has a new president and managing board at the end of a three-year wrangle between the governing parties which also clears the way for big changes in the operations of the country's private television network.

The agreement marks an important concession by the Christian Democrats to Prime Minister Bettino Craxi's Socialists who have been determined to secure a new law to allow Mr Silvio Berlusconi, one of Europe's leading television entrepreneurs, to produce news programmes and operate live broadcasts.

While Mr Berlusconi will be required to divest one of his three stations, the Christian Democrats have made big concessions and given further evidence that they are anxious to avoid any risk of a political crisis before Mr Craxi is supposed to hand over his office to one of their leaders next spring.

A law lifting restrictions on private TV operators should be presented by the Government in about a fortnight. It comes 10 years after the constitutional court confirmed the right to exist of private TV stations on freedom of information grounds. But they have not been permitted to broadcast nationally or to offer news programmes.

These restrictions forced Mr Berlusconi and his three channels, Canale 5, Retequattro and Italia Uno, into a complicated distribution of videos for quasi-simultaneous broadcasting from a chain of stations around the country.

To avoid a concentration of ownership, the parties agreed some time ago that no single proprietor should have more than two channels. The Christian Democrats wanted to prevent Mr Berlusconi going "live" until he had divested one but gave way on condition that he be set a time limit of about a year for its disposal.

This will be the first time that Italy has allowed private sector news broadcasting. Politically, it means that the Socialists believe they have, in Mr Berlusconi, a powerful media supporter to counterbalance Christian Democrat penetration of RAI.

This is, however, by no means total. The RAI presidency is a Socialist preserve and Mr Craxi has persuaded Mr Enrico Manca, the party's economics spokesman, to take the job.

Mr Manca, who at one time was a rival to Mr Craxi, was very unenthusiastic about leaving his party post. He resigned as Minister of Trade in 1980

# Opec far from accord on output quotas

By Richard Johns in Geneva

THE Organisation of Petroleum Exporting Companies (Opec) was yesterday far from agreement on a new system of distributing output quotas as its ministerial conference entered its fourth day here. Output at the moment is limited to 16.8m b/d depending on Iraq's ability to export).

Kuwait continued to insist on a formula which would give it a larger share of whatever total is thought to be possible in terms of market demand and the hangover of supplies from the late summer.

Maintaining what most other delegations increasingly regard as a confrontational stance Sheikh Ali Khalifa al Sabah, Kuwait's Minister of Oil said last night: "There will never be a change in our position even if I am a minority of one."

"It is not a matter of larger production but of a larger share" he added. Sheikh Ali reiterated Kuwait's belief that the current interim accord covering September and October based on percentage shares worked out somewhat arbitrarily three and a half years ago, expired on November 1.

Advance men from the Reagan and Gorbachev parties on the steps of Hofdi, the summit meeting place. A youngster on his bicycle seems unimpressed.

# Moscow to fight on in Afghanistan

BY PATRICK COCKBURN IN REYKJAVIK


THE Soviet Union is prepared to fight on in Afghanistan until the government in Kabul has achieved final victory, a senior Soviet spokesman said yesterday.

Mr Alexander Bovin, a senior writer on the daily Izvestia who also acts as a spokesman, told a news conference that the conflict in Afghanistan would stop either when Pakistan and Iran ceased to help the Afghan guerrillas or when the government in Kabul was able to increase its political support to the point where it could win.

The statement shows that, in spite of the withdrawal of 7,000 Soviet soldiers from Afghanistan next week, part of the 115,000 force stationed there in 1979, Moscow is determined to keep the present government in power.

Meanwhile, Soviet spokesmen at a press conference on regional conflict in Reykjavik yesterday expressed cautious optimism over the outcome of the Iceland meeting between President Reagan and Mr Mikhail Gorbachev, the Soviet leader.

"We should not be in too much of a hurry to get disappointed," Mr Nikolai Shishlin, a senior official in the Central Committee Secretariat, said.

He added that the meeting "could give a green light for the summit," but there was still a wide distance between the two sides.

The Soviet Union is clearly eager to play down differences on regional conflict with the US in order to emphasise nuclear armament issues to which Moscow gives priority.

A sign of this desire to defuse issues not connected with disarmament was the announcement at yesterday's press conference that Mrs Inessa Sherman is to be issued a visa to join her brother, Mr Mikhail Sherman, in Israel who requires a bone marrow transplant from her.

The main Soviet priority at Reykjavik according to Soviet officials is to see whether or not President Reagan is prepared to make a deal on nuclear arms.

# Bonn seeks talks on short-range missiles

WEST GERMANY has endorsed dramatic cuts in medium-range nuclear missiles in Europe but asked President Ronald Reagan not to forget about Soviet shorter-range weapons during the superpower summit, Bonn officials said yesterday, AP writes from Bonn.

Chancellor Helmut Kohl wants Mr Reagan to ask Moscow to follow any medium-range missiles agreement with negotiations on the new shorter-range system, the officials said.

Mr Kohl made the request in a letter sent to Mr Reagan on Tuesday, said the officials.

## Geneva arms talks

US and Soviet negotiators held nearly three hours of talks on medium-range nuclear missiles in Geneva yesterday, their final arms control session before the Reykjavik meeting, Reuter reports from Geneva.

## Dutch worries

The Netherlands, which is yet to deploy its share of Nato intermediate-range nuclear missiles, is insisting that any superpower pact on the missiles be not watered down because of fears of a corresponding increase in Soviet short-range nuclear missiles, AP reports from the Hague.

# Dublin forced to increase short-term lending rates

BY HUGH CARNEGY IN DUBLIN

THE GLOOMY economic outlook confronting the Irish Government deepened yesterday when the central bank responded to rising interest rates in the Dublin money markets by raising its short-term lending rates by 2 per cent to 12 per cent.

Retail bank rates and mortgage rates are bound to follow, adding to the difficulties of the Fine Gael-Labour coalition which had hoped earlier in the year that lower interest rates would help push up real incomes, stimulate the economy and relieve its beleagured standing in the opinion polls.

So far a consumer spending surge has not occurred and a combination of uncertainty in the foreign exchange markets and concern over the continued rocky state of the public finances has moved interest rates up again.

A big factor has been the weakness of sterling. This week, the Irish pound, the punt, has traded above 95 pence despite an 8 per cent devaluation within the European Monetary System in August when the punt was approaching similar levels.

The market appears to accept government assurances that it will not seek another devaluation, but interest rates have still pushed up. The curious effect of rates rising in response to a strong currency results from Ireland's strong trading ties to sterling which prompts heavy outflows when sterling is perceived as cheap.

The situation has resulted in the appearance of what has been dubbed "Black Hole 2"—an unexplained residual capital outflow of £1.5bn (£1.425bn) in the nine months to the end of June showing up in the balance of payments account.

A similar phenomenon in 1984, the original "Black Hole," was attributed to profit repatriation by foreign companies. "Black Hole 2" is being attributed officially to foreign exchange speculation, mainly by companies, but there are suggestions it may signal an exodus of funds prompted by a deep-seated lack of confidence in the Irish economy.

# Brussels to tighten up on competition rules

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission has decided to tighten its enforcement of competition rules, and insist on the repayment of government subsidies when they are illegally granted to ruling industries.

The decision was agreed by the 17-man Commission, reinforcing the more vigorous application of restrictions on state aid being urged by Mr Peter Sutherland, competition commissioner.

It was also agreed the Commission services must speed their legal inquiries in competition cases, although a proposal to set a deadline of si xmonths was not approved.

The decision on a specific aspect of enforcing competition policy was the first since last weekend's discussion launched by Mr Jacques Delors, the Commission President.

That debate underlined a clear difference between Mr Delors and Mr Sutherland, generally reflected in the left-right split in the Commission, on how far restrictions on state aid should be enforced.

The Sutherland view now appears to have prevailed without a major split. The only real discussion was on whether the Commission should set itself a six-month deadline for decisions.

Few competition inquiries are completed within that time, and there was general agreement that the whole legal process must be speeded up. But a majority in the Commission objected to a rigid deadline.

The European Court has told the Commission it must complete inquiries within "a reasonable time." The Treaty of Rome als oallows appeals if the Commission is deemed to be failing to act on a case.

T odate, there have been less than 20 cases of member-states continuing to pay subsidies after they were found illegal.

# National Assembly job for Dumas after shock vote

BY DAVID HOUSEGO IN PARIS

MR ROLAND DUMAS, the former French Socialist Foreign Minister, yesterday emerged as the new president of the Foreign Affairs Committee of the National Assembly in a surprise vote that revealed splits within the Government's majority.

It is the first time that Mr Jacques Chirac's administration has failed to impose its nominee to the chairmanship of a parliamentary committee and the setback yesterday was regarded as embarrassing to the Government.

The Socialists success in securing the presidency also comes at a time when terrorism has brought foreign policy and the Middle East in particular to the centre of public debate. For the first time this week the Government came under attack in the National Assembly from the Socialists and also from part of its own majority.

Mr Dumas was elected in the third round of the secret ballot among the 73 members of the committee. He got through—notwithstanding the Government's majority in the parliament—because at least two government supporters broke rank and he had the support of the Communist Party and the extermist right wing National Front of Mr Jean-Marie Le Pen.

The vote in his favour by the National Front was the more surprising because of the Front's biting attacks on the Socialists. But Mr Le Pen said afterwards that the Front had wanted to block the government candidate.

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## OVERSEAS NEWS

**Anthony Robinson** reports on economic warfare with Mozambique and looks at the United Democratic Front

# Pretoria administers first bitter pill to front-line state

SOUTH AFRICA'S decision to repatriate Mozambican workers, coming so soon after the US Congress overruled President Ronald Reagan's veto of its sanctions package, is meant above all to demonstrate that two can play the game of economic warfare.

After warning for months that sanctions would hurt its neighbours more than South Africa itself, Pretoria is now out to demonstrate that fact. By underlining the dependence of its neighbours on South African jobs, markets, infrastructure and technical assistance, it is also making the point that those Western countries which support sanctions could face an enormous aid bill if called upon to make good the damage caused by South Africa's cutting of economic links.

Ironically, Mozambique is already a large scale recipient of aid, and would receive much more if the internal security situation did not make most embassies and aid organisations virtual prisoners of the capital.

The country's economic situation was so bad 30 months ago that the Marxist-inclined Frelimo Government of President Samora Machel was forced to swallow its pride and sign the Nkomati Accord. Under the Accord it agreed to expel the African National Congress from its bases in return for an undertaking from South Africa that it would cease support for the Mozambican National Resistance (MNR) rebels.

Since then the internal security situation has deteriorated even further. The writ of the Maputo Government now barely extends beyond the capital and a few provincial centres which can still be reached by air or by military convoys subject to frequent ambushes. The MNR, although reluctant to occupy towns and set up its own administration, controls most of the countryside.

Throughout the life of the Nkomati Accord, both sides have accused the other of failing to honour the agreement. On the Mozambican side accusations of Pretoria's bad faith reached a climax last year when Zimbabwean troops overran an MNR base camp at Gorongosa and captured documentary evidence that South Africa had not only maintained contacts with the MNR but had dropped supplies and helped set up airstrips.

This confirmed strong suspicions that powerful elements within the South African Defence Force were unhappy at Pretoria's willingness to prop up the Maputo government.

Since then the mood in Pretoria has hardened dramatically in the face of sanctions pressures abroad, a right wing backlash and black unrest.

Mozambique has complained that South Africa has given no evidence that the spate of landmine explosions, including this week's incident which wounded six South African soldiers, was the work of ANC guerrillas operating from Mozambique soil.

But the official commentary broadcast by South Africa claimed that Mr Joe Slovo, the white South African Communist who holds a key position in Umkhonto We Sizwe (Spear of the Nation), the ANC's military wing, is "back in business" in Maputo. He was expelled following the March 1984 Nkomati Accord.

The Accord, hailed at the time as an historic breakthrough in South Africa's relations with its neighbours and which permitted President P. W. Botha to tour Western capitals with a twin message of good neighbourliness abroad and reform at home, now awaits only its formal abrogation.

The repatriation of Mozambican workers will deprive Maputo of its most important source of hard currency after foreign aid. In effect the 52,000 Mozambican miners in South African mines have been working for only 40 per cent of their nominal earnings. The remaining 60 per cent has been paid direct to Maputo which then repaid the equivalent to returning miners in the local currency, which is virtually worthless.

After years of civil war between ill-trained and equipped and poorly motivated Government Frelimo troops and the MNR, Mozambique is in a very bad way. No electricity has flowed from the Cabora Bassa hydroelectric power station on the Zambezi river for more than three years because of MNR attacks on the pylons.

The Beira "corridor" between Zimbabwe and the port city is kept open only by constant Zimbabwean Army patrols and foreign-aid financed upgrading of the railway line is frequently subject to harrassment.

These forces control vast tracts of the countryside, where starvation is widespread and agriculture reduced to minimal subsistence farming. Last month the Mozambican Government announced that 4m of its estimated 5m population faced starvation if food aid did not arrive promptly, including 248,000 people in Maputo province alone.

The repatriation of the workers combined with uncertainty over the future of 60,000 Mozambican refugees and more than 200,000 illegal immigrants in South Africa could prove the last straw for the Frelimo Government.

Until now, Pretoria has taken the view that a victory for the MNR would see a reversal of roles, with Frelimo becoming again a guerrilla movement as it was before independence. Earlier attempts by Pretoria to mediate between the MNR and Frelimo to seek some form of coalition failed totally.

There is still a feeling in South Africa that President Samora Machel is probably the best leader around, despite intense irritation at his anti-South African and pro-sanctions rhetoric in international forums.

With no ideal solutions in sight Pretoria's immediate objectives appear to be to force President Machel to purge his Government of pro-Moscow Marxists like Mr Sergio Viera, the Security Minister, to co-operate in the elimination of the alleged new ANC presence, and to bow to the harsh geo-political and economic realities of dependence on South African goodwill.

If Mozambique swallows this bitter pill, the message will not be lost on the other front line states.

# S African 'Solidarity' is chief target of clampdown

TO ITS millions of supporters in South Africa and its friends abroad, the United Democratic Front represents the aspirations and hopes of the disenfranchised, providing an extra parliamentary organisation which challenges the legitimacy of the Government and offers an alternative vision of a non-racial future. Its closest parallel abroad is the Polish Solidarity movement.

For Pretoria, however, the UDF is little more than the internal wing of the banned African National Congress. It sees the Front as a subversive organisation infiltrated by Communists which has spread its tentacles through South African society and which differs from the ANC only in its formal commitment to non-violence.

As its name implies, the UDF is a front organisation, an umbrella under which come together more than 700 affiliated organisations with more than 2m members. Its bedrock support is to be found in the hundreds of local community, youth and student groups which have sprung up over the last three years of unrest in black, coloured and Indian communities around the country.

But many trade unions and religious organisations are also affiliated.

Several of its patrons, like Archbishop Desmond Tutu and the Rev Allan Boesak, president of the World Alliance of Reform Churches, are clerics. Others, like Mrs Albertina Sisulu, wife of jailed ANC leader Mr Walter Sisulu, provide a personal link with the black nationalist movement which, before its banning in 1960, openly represented the mainstream of black nationalist aspirations.

Ironically, it was the Government's plan for a new constitution which provided the rallying point for the foundation of the UDF at a mass rally in the Coloured township of Mitchell's Plain near Cape Town in August, 1983. The Government hope that, by extending the vote to Coloureds and Indians and giving them their own separate houses in the new tri-Cameral Parliament, they would broaden the former exclusively white power base.

But the exclusion of the black majority and opposition within the Indian and Coloured communities provided fertile ground for an unprecedented release of political energy. Initially, this was targeted on a successful campaign to boycott the August, 1984, elections to the two new houses. Since then, politically conscious community associations have mushroomed across the country and UDF affiliated groups have organised school and rent boycotts, consumer strikes and also an anti-conscription campaign

Th short history of the UDF has been a history of official harrassment. Its leaders have been the main target of the security force dragnets which accompanied both the July 1985 and June 1986 states of emergency. An analysis of emergency detainees last month showed that 15,000 of the estimated 23,000 arrested under the current state of emergency are UDF members.

Over 55 per cent of all detainees are under 25, reflecting the fact that the hardest hit affiliates have been the student and youth organisations. The authorities' aim is to smash the grass roots street committees which have created a virtually parallel government in many townships.

# Chinese port to host US warships

By Robert Thomson in Peking

MR CASPAR WEINBERGER, the US Secretary of Defence, announced in Peking last night that China had agreed to a symbolic port call by US warships that he hoped would lead to closer military co-operation.

A similar visit scheduled for May of last year was scuttled after China said it had a guarantee from US officials that the visiting vessels would not be nuclear armed while US officials maintained they never give such guarantees.

Mr Weinberger indicated during a press conference that the US had not deviated from the policy of refusing to confirm or deny whether vessels carry nuclear weapons. The visit of two British Royal Navy vessels to Shanghai earlier this year apparently provided a formula for solving the non-disclosure problem.

The British solution was to maintain there would be no confirmation or denial, but to make clear the navy understood that China did not permit visits by nuclear-armed vessels.

Diplomats said agreement on the visit—to Qingdao from November 5 to November 11—would please Washington, which is keen to keep Moscow guessing on how far Sino-US military co-operation might go.

The visit will also provide reassurance for US officials concerned by the apparent thaw in Sino-Soviet relations. Asked whether he had sensed increasing warmth in relations between the Soviet Union and China, Mr Weinberger said his "thermometer" had registered no increase in temperature.

Mr Weinberger insisted that the US had made "good progress" in transferring military technology to China, although the only actual purchases so far had been two dozen Sikorsky helicopters and technology for the manufacture of high-explosive millitary shells. He said that during the past year, China and the US had held "discussions concerning a number of particular weapons systems."

If nothing else, the visit will provide Chinese naval officials, whose vessels are in need of an overhaul, with an opportunity to see modern technology in action. Three vessels will visit Qingdao: a destroyer, a guided missile cruiser, and a guided missile frigate.

Mr Weinberger's observation that Soviet claims of withdrawing troops from Afghanistan were a "ruse" have been interpreted by diplomats in Peking as an attempt to put pressure on Soviet negotiators who are in Peking for a round of talks on "normalising" relations with China.

The Defence Secretary said he would welcome any easing of tension in the region, but doubted that Sino-Soviet relations would improve significantly until Soviet troops were withdrawn from Afghanistan and Vietnamese troops pull out from Kampuchea.

# Thailand's coalition left shaky

By Peter Ungphakorn in Bangkok

THAILAND'S commerce minister survived a vote of no confidence yesterday in the House of Representatives. Nevertheless the two-month-old, four-party coalition government has been left in a shaky position following a series of controversies.

Mr Surat Osathanugrah was accused of improperly permitting two companies to import logs across the Burmese border. He revoked the permits before any timber was imported because of objections from the Prime Minister, General Prem Tinsulanonda, and the foreign ministry.

The fear was that the logs would have been felled by minority Karen insurgents and that relations between Bangkok and Rangoon would have been strained. Mr Surat said Thailand needed to import wood because its own forests were being depleted.

He said the logs would not have come from Karens and denied opposition charges that there had been improper dealings with the two companies.

The four government parties hold 232 of the 347 seats in the lower house. The largest party, the Democrats, with 100 seats, refused to defend Mr Surat, however. On Wednesday night, following a day-long no-confidence debate, the Democrats decided to vote against Mr Surat. Yesterday morning, minutes before the vote, however, they decided to abstain.

The Democrats were said to have felt Mr Surat's defence was weak. The party is also known to be dissatisified with Mr Surat's Social Action Party for trying to seize the initiative in forming the coalition after the general election on July 27.

Soon after the election, the SAP, with 51 seats, swiftly reached agreement with the nationalistic Chat Thai Party whose 63 seats gave them two more seats than the Democrats. That undermined the Democrats' strength when bargaining for cabinet portfolios, depriving them of the key economic ministries they sought.

General Prem apears still to be secure as prime minister because he was reappointed without having to stand for election and was able to choose non-elected appointees for the interior, defence and finance portfolios.

He still enjoys the support of powerful factions in the army and of the palace.

# Naira value boosted by auction reform

THE NIGERIAN currency, the naira, rose 44.5 per cent against the dollar at the weekly currency auction yesterday after the central bank changed its way of determining the rate, Reuter reports from Lagos.

Yesterday's rate, on which foreign exchange dealings in the coming week will be based, was Naira 3.4999 to the dollar, compared with Naira 5.0584 at the last auction, central bank officials said.

The bank had complained that the rates that emerged at previous auctions gave the naira an artificially low value, putting it below even black market quotations.

In previous auctions, the naira rate was established by taking the average of all successful bids. The central bank now uses the marginal rate, the lowest bid at which all the foreign exchange on offer is exhausted, sending the naira sharply higher.

The central bank also increased the amount of foreign exchange on offer from \$50m (£37m) to \$75m and reduced the amount each bank is allowed to bid for.

# EEC protest as Jakarta executes nine communists

BY JOHN MURRAY BROWN IN JAKARTA

THE Indonesian Government has executed nine communists for their part in the attempted coup in 1965, military spokesman Brigadier P. Daminick confirmed yesterday. Western diplomats see this as a warning to would-be opponents of the regime before national elections in April.

The executions drew protest from the EEC which is to take part in an EEC-Asean summit in Jakarta on October 20 and 21.

Britain as President of the EEC Council of Ministers protested to the Indonesian Government on Wednesday about the executions through its ambassador in Jakarta, Mr Alan Donald. A Foreign Office official said yesterday Mr Donald had expressed concern on humanitarian grounds—the executions had taken place so long after the crimes had been committed.

In the past President Suharto, who seized power in the wake of the abortive coup, has dealt harshly with his critics. Last year several hundred alleged communists, among them teachers and oil workers, were sacked. More recently a member of parliament was expelled on the grounds that his uncle had been involved in the coup plot.

Yesterday the government banned the respected business daily Sinarharapan, after it published articles calling on the government to dismantle state monopolies

# AMERICAN NEWS

## Pinochet shakes up army and offers talks with civilians

HOURS after shaking up his army command with retirements and transfers, president Augusto Pinochet of Chile offered limited and conditioned dialogue with civilian politicians, AP reports from Santiago.

But President Pinochet's offer, late on Wednesday, fell short of opposition demands – and calls from some of his own military men – for talks on restoration of democracy in Chile after 13 years of authoritarian rule.

The Government published written orders from President Pinochet to Mr Ricardo Garcia, Interior Minister, to contact politicians.

President Pinochet emphasised, however, that Mr Garcia should only pursue talks with politicians who accept the 1980 constitution, which calls for the armed forces to nominate a single presidential candidate for a 1989 plebiscite. The constitution also allows Gen Pinochet to seek a new eight-year term then.

The 70-year-old President and army commander also told Mr Garcia to limit his contacts to politicians who publicly reject Marxism and political violence.

Gen Pinochet also told Mr Garcia that talks should be restricted to two specific areas: proposals for a law to legalise political parties – now banned – and the establishment of new electoral registries. The old registries were destroyed by the military after the 1973 coup in which Gen Pinochet seized the presidency from Salvador Allende, an elected Marxist.

The opposition, which in recent weeks has stepped up its demands for a dialogue with the armed forces for the restoration of democracy, wants talks without conditions.

Opposition leaders also want to propose changes in the constitution to allow an open presidential election as soon as possible.

On Tuesday, Gen Fernando Matthei, air force commander and a member of the four-man law-making military junta, also called for such talks. He made clear, however, that talks should include only non-Marxist opposition parties, and he said he would meet with no political leader without first consulting with Gen Pinochet.

Two other junta members – Admiral Jose Toribio Merino, Navy Commander, and Gen Rodolfo Stange, Police Commander – also said they were prepared to hear what democratic opposition parties had to say.

Mr Gabriel Valdes, President of the centrist opposition Christian Democratic Party, said that if he met the military leaders he would tell them that the single-candidate, yes-or-no plebiscite for president in 1989 "represents no solution.

## Brasilia threatens to force sale of cattle

**By Stefan Wagstyl in London**

THERE IS big trouble at the ranch in the cattle farming states of Brazil.

The government of Mr Jose Sarney is threatening to send its horsemen out on the range to force farmers to sell their cattle in order to end a shortage of meat in the country.

After failing to win the farmers' co-operation by offering a 25 per cent increase in prices, the Government announced this week that it was prepared to seize the cattle the rancheros refuse to sell. Under the Government's emergency plan the cattlemen will be paid about £11 ($15) an arroba (about 15 lbs) – take it or leave it.

The farmers are refusing to sell because their cattle are worth more alive than dead.

It was the end of inflation indexation in February under the Crusado economic reform plan which encouraged the ranchers to cut beef sales and start holding more livestock to protect themselves against rising prices. Also, Government threats to seize underused land for redistribution to the poor has led rich farmers to increase the size of their herds, even to the extent of buying back animals sold for slaughter.

As a result, Brazilians who say they eat some of the biggest and best steaks in the world have been short of beef for their dinners. In Sao Paulo alone 1,000 butchers shops have closed and people have been out on the streets in protest. Wild rumours have been flying around of hoarding by wholesalers, who have denied that they hold surplus stocks.

It is no surprise that President Sarney has moved to try to pacify the restless townsfolk since his Government faces an important election for a new constituent assembly next month.

The wealthy cattlemen, owners of the fourth largest herd in the world, are not expected to surrender easily. One of the most powerful political groupings in the country, the ranchers have become a focus of opposition to the continued price freeze.

The ranchers say that the beef shortage is not caused by farmers keeping stock on the ranches but by an increase in consumer demand in the towns, caused, ironically, by the success of President Sarney's efforts to stimulate economic recovery.

However, Government officials say President Sarney had no choice but to take tough action after the farmers went back on a deal signed last week aimed at restoring order to the market.

## Former senior banker pleads guilty to fraud

**BY WILLIAM HALL IN NEW YORK**

A PROMINENT international banker who played a key role in renegotiating Brazil's foreign debts, yesterday pleaded guilty to bank fraud, tax evasion and making false bank statements. He faces up to 20 years in jail.

Mr Antonio Gebauer, a flamboyant personality, ran Morgan Guaranty's important Latin American operations during a key stage of the international debt crisis.

Morgan Guaranty is one of the most respected banks in the world and has influential and wealthy clients who value their privacy. The disclosure that one of its senior officers made unauthorised withdrawals from the accounts of several clients has caused the bank considerable embarrassment.

Mr Gebauer, 46, was accused of approving $3.9m in unauthorised loans and causing Morgan to issue unauthorised treasurers cheques amounting to $4.3m between February 1976 and August 1985 when he resigned as a senior vice-president of the bank.

After leaving, Mr Gebauer worked for Drexel Burnham Lambert, the fast-growing New York investment bank, where he was employed in international business. He left after news of the investigation into his activities at Morgan Guaranty was revealed in May.

He was also charged with using Morgan-headed notepaper to create 24 false statements of customers' accounts, listing more money in the accounts than they actually had. The four counts carry a maximum prison term of 20 years and fines of $360,000.

Mr Gebauer has been released on a $2m bail secured by personal property. He will be sentenced on December 11.

According to yesterday's New York Times, Mr Gebauer's lawyer, Mr Stanley S. Arkin, said the unauthorised withdrawals were made from dollar accounts opened at Morgan by Brazilian businessmen in apparent violation of that country's currency laws.

The New York Times says that because the Brazilian depositors were apparently spiriting money out of their country illegally, they needed a banker who would be a confidante and a financial adviser since they could not openly manage their dollar accounts themselves.

"Tony had a special relationship with the individuals and far greater authority in handling their money than would normally be the case," Mr Arkin said. "His position was that he had authority over these accounts.

## US pushes for more action on fighting drugs trade

**BY DAVID GARDNER IN PUERTO VALLARTA**

A HIGH-LEVEL delegation led by Mr Edwin Meese, the US Attorney-General, arrived in the Mexican Pacific resort of Puerto Vallarta yesterday to press for more vigorous action against drugs production and trafficking in North and South America.

The US presence in this 12-nation summit coincides with efforts by the Reagan Administration to win Congressional support for a major new anti-drugs programme which could involve spending of between $900m (£633m) and $2bn a year to suppress domestic demand for illicit drugs.

The US drugs market was estimated in March to have grown to $110bn a year by the Presidential Commission on Organised Crime.

The new US emphasis on drug use, in addition to repressing production, goes some way towards meeting one of the Latin American countries' main criticisms of Washington's drugs policy, which was that it was only addressing half the problem.

The US wants its Latin American and Caribbean neighbours to take action similar to that recently adopted by Bolivia where US aircraft and personnel spearheaded what the US Drug Enforcement Agency (DEA) claimed was a successful crackdown on cocaine processing.

The Mexicans, in particular, have argued that successful eradication programmes in one region tend to divert production and distribution towards other regions, while simultaneously maximising the drugs barons' profits through causing higher street prices in the US. As long as demand in the US continues at current levels, it is argued, these profits work their way back eventually into higher production and ever more sophisticated distribution.

● Dominican Republic President Joaquin Balaguer has dismissed his Defence Minister, Rear Admiral Manuel Barjan Mudd, and 20 generals in a surprise military shake-up, Reuter reports from Santo Domingo.

This follows the seizure of $35m (£25m) of cocaine less than a week after Mr Balaguer admitted that both civil and military officials were involved in drug dealing.



## Mexico's party chief replaced

**BY DAVID GARDNER IN MEXICO CITY**

MR Adolfo Lugo Verduzco has been replaced as president of Mexico's Institutional Revolutionary Party (PRI), the governing party for the past six decades. The move narrows the field in the race to succeed President Miguel de la Madrid in 1988 and appears designed to ensure a smoothly-run succession.

Mr Lugo is likely to be succeeded by Mr Jorge de la Vega Dominguez, a seasoned politician who has served in the last four administrations. His job will be to try to revive the appeal of a party whose credibility is at an all-time low after 57 years in power.

Mr Lugo is to be the next governor of the state of Hidalgo, north of Mexico City, which he represents in the Senate. In recent months he has been seen as one of four or five possible successors to Mr de la Madrid, though to have pressed this claim successfully he would have needed a Cabinet post, rather than a state governorship.

Since the de facto sacking of Mr Jesus Silva Herzog, the Finance Minister and presidential front-runner, in June, there appear to be three figures left in the race. These are:

● Mr Alfredo del Mazo. Moved from governing the state of Mexico to the Energy and Parastatal Industry Ministry in April. With a background in banking and the support of the trade union bureaucracy, he is the front runner.

● Mr Manuel Bartlett. Holds the key political portfolio, the Interior Ministry. For the regime's critics, Mr Bartlett has presided over the most widespread and blatant instances of ballot-rigging here in decades, but from the regime's viewpoint his tenure has seen remarkable little social unrest, despite Mexico's worst economic crisis for half a century.

● Mr Carlos Salinas de Gortari, the Planning Minister (Mr de la Madrid's former job), and the most influential voice in the "economic cabinet" following Mr Silva's downfall, which virtually all observers understand he and Mr Bartlett helped engineer.

Whichever man Mr de la Madrid chooses to succeed him, in about a year's time, Mr de la Vaga's job will be to try to ensure that the PRI can drum up a plausible show of public support for this six-yearly "renewal" of the regime (under which presidents serve a single six-year term).

# WORLD TRADE NEWS

## McDonnell urges $100m for aircraft research

By Lynton McLain

McDONNELL AIRCRAFT, the military aircraft company in the McDonnell Douglas Corporation, wants the US Government to commit $100m (£69.4m) to research into advanced cockpit displays for future military aircraft.

The proposed new displays, as wide as a cockpit and beyond the scope of existing technology, could generate sales worth "billions of dollars," Mr Eugene Adam, the staff manager for advanced crew systems at McDonnell Aircraft said in London yesterday.

Successful development of the concept of wide-screen displays "would decimate the existing cathode ray tube industry," Mr Adam forecast.

The cockpit of future military aircraft "may have no knobs, switches and dials, as on current aircraft," the company said.

"Instead, a television-like screen may span the width of the instrument panel and could be activated by a pilot's touch, voice or nod of the helmet." Giving voice instructions and touching the screen would suffice to fly the aircraft, according to the company.

The new display panel concept, known as "Big Picture" is being developed by McDonnell Aircraft.

**John Elliott** looks at forthcoming visits to New Delhi of senior officials from the US and Soviet Union

## India courts superpowers for technology and aid

INDIA will be developing its delicate courting of the superpowers for technological and industrial expertise and aid during the next few days with visits to New Delhi of senior government figures from the US and USSR.

Mr Casper Weinberger this weekend makes the first visit of a US Defence Secretary to India. His discussions will include the supply of defence-related technology, including engines and equipment for an Indian light combat aircraft project and advanced missile range electronics systems.

On October 20, work will begin on a package from the USSR of aid and supplies for power stations, steelworks and coal mines when Mr Konstantin Katushyev, chairman of the Soviet State Committee for External Economic Relations, visits New Delhi. He will pave the way for a state visit to India from November 25 by Mr Mikhail Gorbachev, the Soviet leader.

India has relied for many years on the USSR for construction of some of its major capital projects on specially favourable commercial terms, as well as for a wide range of defence supplies and aircraft, including MIG-29s.

In the past six years, it has bought more from West European sources and, since Mr Rajiv Gandhi became Prime Minister nearly two years ago, has turned increasingly to the US, first for high-technology computers and now for defence items.

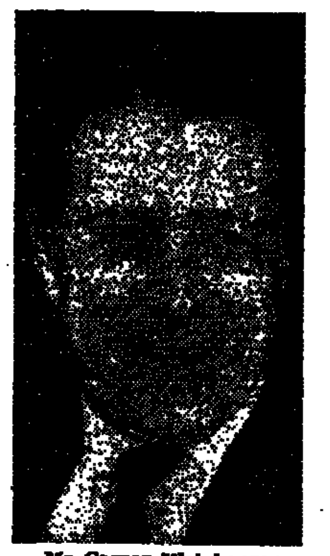
Despite continued opposition from the Pentagon which fears secrets will leak to the Soviet Union, the US has in the past year, since Mr Gandhi visited the US, offered defence-related technology sales which diplomats say would have been unthinkable in the days of the late Mrs Indira Gandhi, India's former Prime Minister.

Mr Weinberger's visit, from tomorrow till Tuesday is aimed at pushing the liaison forward and seeing how far India wants to use US technology, given its reservations about buying combat equipment—supplies of which might later be cut off for policy reasons.

The basis for the talks will be the Linstrom Report on possible collaborations, named after a senior US Defence Department official who prepared it at the beginning of this year.

The light combat aircraft which India is developing for the mid-1990s with possible assistance from a variety of foreign countries is a major item on which the US has already chalked up a significant success. GE of the US has received a letter of intent from India for 10 F404 engines for use on prototypes to tide the project over till India has developed its own engine.

No contract has yet been signed but GE has nevertheless stolen a march over Rolls-Royce of the UK which was offering



Mr Caspar Weinberger

its turbo-union 199 engine produced with MTU of West Germany and Fiat of Italy.

Rolls-Royce is also believed to have lost an order for its Spey marine engines to be used in a new fleet of Indian Navy frigates known as project 15.

The USSR is supplying gas turbine engines for the first two of these ships after which the GE LM-2500 seems likely to be used. *This is despite an offer* from Rolls-Royce to cover half the cost of the order with countertrade arrangements which India is seeking on several major projects.

Rolls-Royce, which has been working in India for many years, has been advising on the light combat aircraft, including designing the air intake, and engine installation arrangements.

If GE appears to have taken over all the engine work, Rolls-Royce will have to decide whether to pull out, or whether to stay in touch with the project in case slow progress on India's own engine, code-named the GTX, results in it having to order up to 50 engines for operational aircraft early in the 1990s.

On past experience, India might be loth to place such an order with the US because of the risk of a future cut-off of supplies, as happened during the 1965 Indo-Pakistan war.

The US Government has also recently licensed Northrop to offer non-metallic composite materials and other technology from its F20 fighter. India has rejected any idea of manufacturing the complete F20.

Other US companies such as Grumman, Lear and Litton, also hope to obtain some business on the India project although India is continuing to talk to West European countries.

A contract worth about $6m-$7m (£4.1m-£4.8m) has also recently been signed by India with Vitro and Scientific Atlanta of the US to supply advanced missile range technology, also covered in the Lin-

Mr Rajiv Gandhi

strom Report.

Development of tanks and other anti-armour equipment is also on the Linstrom list, probably interesting companies such as Honeywell, Allied Bendix and Westinghouse.

The US is also talking to India about selling C130 transport aircraft for weather reconnaissance work, and about offshore navy and coastguard frigates in which other countries, including the UK, Singapore and Taiwan, are also interested.

It is also finalising a deal for ITT to license production in India of 18mm and 25mm night-vision goggles.

But the prize which India has so far failed to wrest from the US is outside the defence field. It wants a Control Data Corporation Cyber-205 super computer for work on monsoons.

The US has not yet been satisfied by proposed Indian safeguards against possible use on nuclear weapons development. So sale of the computer has not been approved, even though a general Indo-US memorandum of understanding reached last year on high-technology sales has led to the clearance of more than 100 large computer systems, and a main frame development contract for CDC.

There are fewer such problems with the USSR which is expected to announce a new credit line of at least roubles 1bn (£1.1bn) when Mr Gorbachev visits India, on top of roubles 1bn pledged when Mr Gandhi visited Moscow 17 months ago.

Projects covered by the new credit, which are likely to figure during Mr Gorbachev's visit, include building an 840 MW thermal power station at Kahalgaon in Bihar, constructing electricity transmission lines, modernising steel works at *Bhilai and Bokaro*, and expanding existing coal mining activities.

A lot of work has been taking place in the Indian Government this week preparing for Mr Weinberger's visit, which is rated as extremely important.

But the visit by Mr Gorbachev later will be a warmer, more friendly occasion, reflecting a type of relationship which does not exist politically between India and the US.



## Foreign car sales surge in Japan

By Yoko Shibata in Tokyo

IMPORTED car sales in Japan reached 50,409 in the first nine months of this year, more than the total sold during the whole of 1985.

However, imports still account for only about 1 per cent of total Japanese new car registrations.

The importers' sales surge is attributed partly to measures taken by the Japanese authorities to simplify technical testing of low-volume cars, specifically to encourage more imports.

At the same time, importers have been taking advantage of the rise in the value of the yen to cut interest rates on car loans.

Importers' loan rates are now well below 10 per cent compared with 12 to 15 per cent a year ago.

BMW, the West German group, which pioneered low interest rates as a sales incentive after it took its own import business in 1984, offered loans with a 5 per cent rate for a short time this spring and sales of its small 3-series cars increased considerably as a result.

More recently, at the end of July, Volvo, the Swedish company, cut its interest rate on loans from 8.9 to 8.5 per cent and BMW countered by bringing down its rate from 9.5 to 7.8 per cent.

Sanwa Automobile, which imports Porsche sports cars from West Germany, lowered its rate from 9.5 to 8.3 per cent this month.

Loans offered by Japanese car dealers have been substantially reduced, from 22 per cent to 13-15 per cent, but are still relatively high. Importers suggest that some Japanese manufacturers are attempting to cover some of their losses on car sales by charging high interest rates on finance deals.

"It is wrong that car makers should try to earn money from interest rates," complained Mr Yoji Hamawaki, president of BMW Japan.

## French share in Cuba tanker dock contract

By Paul Betts in Paris

BOUYGUES Offshore, an oil service subsidiary of the leading French construction and civil engineering group, has won an order jointly with a Yugoslav company to build three docks for oil supertankers in Cuba worth FFr 280m (£30.1m).

Bouygues Offshore is leading the construction consortium with two-thirds of the contract. Its partner with a one third share of the deal is INA of Yugoslavia.

The French company confirmed yesterday that it had signed the deal for the three docks to be completed over the next 22 months. The order was placed by a joint Cuban-Soviet group including Ecimact for Cuba and Nestechinpromexport for the Soviet Union.

Separately, the French Government is hoping to win trade compensation concessions from Norway to enable it to ratify the giant natural gas supply contract between Statoil, the Norwegian state oil company, and a group of European gas utilities including Gaz de France.

The French share of the proposed $60bn (£41bn) 27-year contract involves 45 per cent of the total, with the French utility buying FFr 8bn of Norwegian gas a year during this period.

The French authorities have asked for compensation from Norway to offset the impact the contract will have on France's trade balance with Norway.

The French are hoping to win these compensations from Norway by next Wednesday to meet an agreed deadline between the two countries of October 15.

However, French officials indicated yesterday that negotiations would clearly continue if no agreement was reached by next Wednesday.

## Jaguar sets Canadian record

By Bernard Simon in Toronto

SALES of British-made Jaguar cars in Canada reached a record 1,435 in the first nine months of this year, 61 per cent higher than in the same period of 1985.

According to figures published by Jaguar's Canadian subsidiary, sales in September were especially strong, accounting for 14 per cent of total sales this year. The company hopes to surpass the 2,000 mark for the year as a whole, thus doubling sales since 1984.

Canada is Jaguar's fourth biggest market after the US, Britain and slightly behind West Germany. Sales in Canada have risen much faster than in the US this year, but demand for the luxury cars recovered later in Canada after the last recession.

Jaguar Canada's president, Mr John Mackie, ascribed the surge in sales to buoyant economic conditions in the key markets of Ontario and Quebec, a revamping of the company's 19 Canadian dealerships, and an aggressive promotion campaign.

He said that the rejuvenation of the British company and improved product standards have been "enormously helpful" in the past two years.

Mr Mackie expects that Jaguar's new XJ6 model, to be launched in North America next April, will contribute to further sales increases in 1987. The new XJ6, Jaguar's first new model in more than a decade, was unveiled in Britain earlier this week.

## Australia aims for A$3bn a year exports boost

BY RICHARD HUBBARD IN CANBERRA

THE AUSTRALIAN Government is aiming to increase exports by more than A$3bn (£1.3bn) a year through a *National Export Drive*.

The drive, announced by Mr John Dawkins, Trade Minister, calls for the resources of the Australian Trade Commission (Austrade) to be turned towards assisting those domestic industries with the largest potential for developing export-orientated strategies and skills.

The Government has identified railway stock and communications equipment in the manufacturing sector and educational services as areas which, with assistance, could pick up their export performance.

Austrade has been directed to approach the senior executives of 350 targeted companies to attempt to change their outlook about exporting and export markets.

Mr Dawkins said if each of these companies increased its exports by A$10m a year, the combined effect would be an A$3.5bn reduction in the current-account deficit, as well as thousands of new jobs.

Other initiatives announced by the Government as part of the drive include: a series of seminars in markets, export techniques and industry strategies, an export week in December during which a variety of export - orientated activitiles would be generated, and the launch of the National Export Awards

## More Soviet oil for Finns

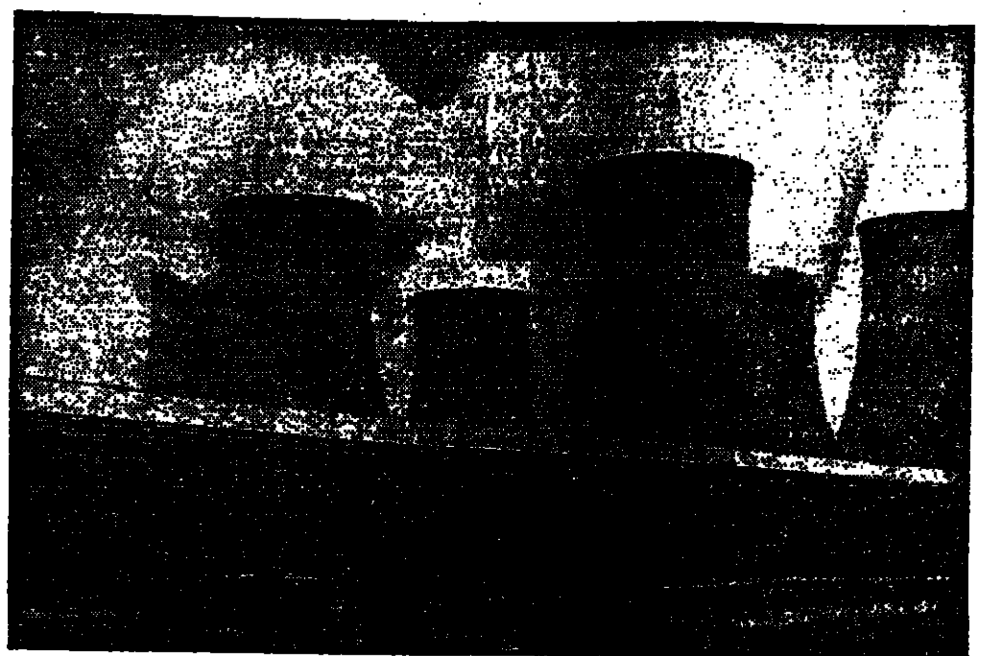
BY OLLI VIRTANEN IN HELSINKI

NESTE, Finland's national oil company, will buy an additional 2m tonnes of crude oil from the Soviet Union next year. It has already agreed to buy an additional 1m tonnes this year. The oil will be traded on international markets.

Finland is anxious to buy more crude oil from the Soviet Union to alleviate the trade balance which is very much in Finland's favour.

Most of the tradeable oil will originate in Algeria, while some will come from Iraq and Iran. Moscow will buy the oil and then sell it to Finns so that the sale will be included in the trade protocol

# TECHNOLOGY



Waste heat from a biofuel-fed power station at Abruzzo, in Italy, will be utilised by a large complex of greenhouses. Similar use is made of excess hot water from the UK's Drax power station (above).

## European energy policy: The case for biofuels

$14.3bn of the Community's power needs could come from the conversion of crops and organic waste by the end of the century, reports Mark Newham.

SOME $14.3bn of the EEC's energy needs could come from inexhaustible biofuels sources by the end of the century. The European Commission believes that by then the conversion of purpose-grown crops and organic waste into biomass fuels will produce 100m tonnes of oil equivalent—capable of meeting 7 per cent of the Community's energy requirements.

On top of the $20m the Commission is spending on research and development in this area between 1985 and 1989, a $227m plant in Italy for the conversion of crops and waste into energy is scheduled to come fully on stream by 1990. A contract to develop this project has been won by a consortium consisting of Britain's Kinetics Technology International and Heating Technology Systems and Italy's Italenergie.

The EEC's drive to exploit this under-used resource is being headed by DG XII, the Community's directorate general for energy research and development.

DG XII believes the development of biomass fuels is vital if the Community is to reduce its dependence on fossil fuels like oil, gas and coal, a large proportion of which is imported by the 12 member states.

As a result DG XII is acting in union with other Commission DG's to bring Europe's first large-scale, fully-integrated bio-energy scheme into being.

Located in the Abruzzo region of Italy in the area around Rome, the scheme aims to exploit more than 400,000 tonnes of biomass a year to produce liquid fuel for use as a petrol additive and to fuel a local power station. In addition, the scheme includes plans to generate hydro-electricity from small hydro stations and to raise the amount of energy available to local agro-industries.

The project is expected to provide 2,000 extra jobs in the region.

This large European Bio-Energy project (LEBEN) will be technically supervised by DG XII, by the Italian authority responsible for development of southern Italy and by the Abruzzo regional authorities. Finance will be provided by the regional authorities, by Italy's national authorities and by the EEC's regional development fund, its social fund and its agriculture and forestry directorate generals.

LEBEN is divided into four main areas: bio-energy activities; hydro electric activities; agro-industrial activities; and associated activities.

The first, bio-energy, concentrates on the production, harvesting, transportation, conversion and use of the biomass material. In the first 20 years of the project, about 320,000 tonnes a year of organic wastes and purpose-grown energy crops will be collected from 78,000 hectares of forest and 20,000 hectares of marginal land designated for energy cropping. This will be converted to biofuels by 30 to 40 Italenergie-designed conversion units spread around the region. After 20 years, the quantity of biomass processed each year is scheduled to rise to 550,000 tonnes.

In addition, the eventual planting of 20,000 hectares of sweet shorghum is envisaged. This would provide 2m tonnes of the crop each year for conversion into ethanol. While the biofuel from organic wastes and energy crops is intended mainly as a substitute for fossil fuels used in a small local power station, the ethanol will be used as an octane booster in Italy's national programme to introduce unleaded petrol.

Biofuels produced will feed a 27 megawatt power station in the area and, by utilising the waste heat in a large plant propogation greenhouse complex and associated agro-industry complex, the programme planners expect the power plant's efficiency to increase substantially.

One of the greatest problems encountered so far in pre-project trials of the technologies and techniques to be incorporated in the project, centres on the harvesting and collection of the biomass material from difficult terrain and remote regions. Advanced harvesting equipment is being developed with support from the Commission. One cheap collection solution which has aroused interest is the use of airships, although a full-scale investigation of this possibility has not yet been conducted.

The Commission's studies showed that the Abruzzo region will require substantially more electrical power by 1990 if its agro-industries are to develop further. Therefore, besides the improvement of the efficiency of the local centralised power plant, the project makes provision for the introduction of 12 small hydro power stations.

The power supply increase will help the local agro-industrial base to expand and, to this end, the scheme intends to instigate the establishment of several new industries in the region processing a wider range of agricultural products.

Such a scheme, say DG XII officials, is of vital strategic importance for demonstrating the technical and socio-economic viability of large bio-energy programmes in the European Community and beyond. Developing countries, in particular, should benefit enormously from the experience gained at Abruzzo.

This scheme, the officials add, could become the test bench for many similar schemes in the foreseeable future. Ten more Abruzzo-sized programmes could be started in Italy, 100 more could come into operation throughout Europe and several thousand may be established throughout the developing world.

## Hitachi disc system addresses efficiency at UK Post Office

CD-ROM (compact disk—read only memory) systems from Japanese company Hitachi are being used by the UK Post Office to store 22.5m addresses so that any one can be found from keyed-in "partial" information in as little as two seconds — up to 20 times faster than with conventional paper methods.

CD-ROM stores over 500 megabytes (500m characters) of data in digital form as laser-inscribed marks on a single 4.75 in disc, which can therefore store all 22.5m addresses. A computer-based search system looks for the complete name and address of a company for example, if only one or two words in the name or address are known. The complete entry is then displayed on a workstation screen.

The Post Office plans to sell the CD-ROM address disc for about £2,500. A Hitachi CD-ROM disc drive unit (£945), used with an interface to most kinds of micro or mini computer, will allow users to have the UK's only complete mailing list at a relatively low cost. The special data retrieval software has been written by Silver-Platter Information of Chiswick, London. More from the Post Office in London on 01-245 7951.

THE RETAILING electronics marketplace in the UK should soon feel the impact of a marketing agreement between US-based company Texas Instrument (UK) and Omron Terminals (UK), part of the Japanese electronic point-of-sale system company.

Either company will now be able to offer complete systems, the larger "back-room" computer element coming from Texas Instruments while the point-of-sale terminals will be provided by Omron. Under the agreement, the retailer will be offered a complete solution—hardware, software, service and support—from a single source. Main market targets will be department stores, entertainment groups, DIY super-stores and food outlets.

**WORTH WATCHING**

Edited by Geoff Charlish

COMPUTING POWER approaching that of the Cray supercomputers is available "at a fraction of the cost" using the new DSP9000 machine from US company Apollo Computer. Even the smallest version it is claimed, will deliver twice the performance of Digital Equipment Corporation's VAX8600 machines, "for less than half the price."

The machine results from an agreement between Apollo and Alliant Computer Systems, another US company, under which Alliant's developments in parallel processing techniques for scientific and engineering computer users are incorporated into the new machine. In parallel processing, multiple processors are employed to co-operate simultaneously and handle different parts of a single problem, significantly reducing the compute time. Alliant's system allows existing science and engineering programs to be used without specially written software. In the UK, Apollo is in Milton Keynes on 0908 366188.

Philippe Guerre and Laserharp.

## French light way for a harp without strings

HARP PLAYING at pop concerts might seem unconventional, but the idea is about to be seen in a different light with the invention, by Mr Philippe Guerre in France, of the Laserharp.

The strings and frame are replaced by a laser beam which points upwards and is moved by a deflecting mirror to give a fan-shaped scan in a vertical plane in front on the player. The beam is switched on momentarily at a series of angular positions as it moves across the "fan," so that in effect a series of separate beams or "strings" is created.

When the player's gloved hand interrupts the beam at any of its positions, the light returned downwards by the white glove is received by a photocell and activates an audio note corresponding to the beam position or laser "string."

The height of the hand will alter the amount of light reflected and this can be used to alter the quality of the note in various ways (volume, armonic content for example) according to associated computer software.

For big outside performances, playing takes place on a low power beam system which is replicated at high power for a bright, large scale display, with music-matched colour as a possibility. More information can be obtained from Mrs Mlle Aubert at Paris Concerts, the company handling the instrument, in Paris on 476 31863.



## Top level GEC machine protocol

LEVEL SEVEN, the highest level of communication laid down in the MAP specifications, can be implemented by GEC Software of London.

MAP (manufacturing automation protocol) is an initiative by General Motors to get makers of automation equipment to use "open" communications standards so that programmable controllers, machine tools, robots and other machines can "talk" to each other. The lower of the seven layer model (laid down by the International Standards Organisation and incorporated into MAP) are concerned more with physical electronic implementation and have presented few problems says GEC Software. But layer seven, concerned with what things the machines say and the form in which they say them, is more difficult.

GEC Software believes it is the first in Europe to implement MMFS, or manufacturing message format standard, laid down in version 2.1 of MAP. It says that MMFS is at present the only means available to achieve intelligent communications between the "islands of automation" in modern factories.



### Company Notice

**LEUMI INTERNATIONAL INVESTMENTS N.Y.**
**US$20,000,000**
**Guaranteed Floating Rate Notes 1987 Series "B" Extendable to 1990**

The interest rate applicable to the above notes in respect of the three month period commencing the 9th October 1986 has been fixed at 6¼% per annum.

The interest amounting to US$15.65 per $1,000 principal amount of the Notes will be paid on Friday 9th January 1987 against presentation of Coupon No. 25.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

This notice appeared incorrectly in yesterday's Financial Times.

**DEN NORSKE STATS OLJESELSKAP AS (STATOIL)**
**FF 750,000,000 FLOATING RATE NOTES DUE 1993**

In accordance with the provisions of the notes NOTICE IS HEREBY GIVEN that for the three months period from September 26, 1986 to December 29, 1986, the interest amount per FF100,000 to be paid on December 29, 1986 is FF1,958.33 and the interest amount per FF 10,000 to be paid on December 29, 1986 is FF 195.83.

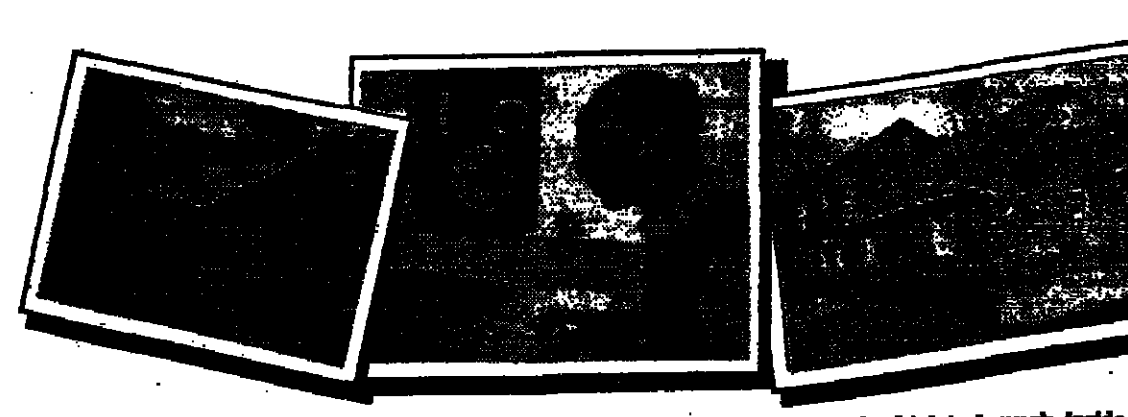
### Legal Notice

IN THE MATTER OF
I. & E FISHERIES LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 14th day of November, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Brian Mills of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 1st day of October, 1986.
Brian Mills
Liquidator

### Clubs



A barn at Ladock, Cornwall: before and after conversion and, centre, the high-tech work inside.

English Development Commission

# Going to the country . . .

by Anthony Moreton

SIX YEARS ago Richard Devereux decided to turn the range of poultry houses and a beef unit on his farm outside Cheltenham into a business centre. He sought help over the planning application from the Council for Small Industries in Rural Areas, CoSIRA, but it was not until 18 months later that his scheme was given the go-ahead.

Mr Devereux's proposal went before the committee on no fewer than nine occasions and would not have succeeded without CoSIRA's help. Now that he has succeeded, the Knightsbridge Business Centre has been turned into 20 small workshops, all occupied, and there is a steady stream of others seeking entry.

Mr Martin Wright also called on CoSIRA when he was setting up Wright Machine Tool. He had been made redundant by Alfred Herbert, once the flagship of the British machine tool industry and had looked at a lot of sites.

"Finally, I settled on one in the village of Arley in the West Midlands, near to both Coventry and Birmingham. Everything seemed right but I needed help with a number of small problems.

"CoSIRA was marvellous. Nothing was too much trouble."

Today, Mr Wright employs 18 in a 3,000 sq ft factory in the former pit village, a welcome if small injection of economic activity in the area.

Robert Parry had a different problem—growth. He had set up Uplec in Oswestry in 1977 to produce electronic instruments. It took him seven years to build up to a staff of 12, when he needed to move into a factory. CoSIRA came to his aid with two small units totalling 3,000 sq ft.

Then he took off and it was CoSIRA that suggested he get the bigger space needed by moving into Oakhurst Hall, a country house in its own grounds. CoSIRA showed him how to apply for a redundant buildings grant and is now working on a problem the company has with low electricity supply.

"Its help has been invaluable," he says. "In particular, we have been offered a £60,000 loan at a preferential interest rate. Without that we could not have moved into the hall," a point he made sure was appreciated by Mr John Biffen when the Leader of the House of Commons opened the building earlier this month.

These three cases have one thread in common: the way in which CoSIRA exists both to help small businesses and to help develop the countryside economically and socially.

CoSIRA is the main operating arm of the Development Commission, set up in 1909 by Lloyd George as a development agency for rural England.

"Bringing about balanced development in the countryside is not just about encouraging farmers," says Lord Vinson, chairman of the Development Commission. "We must be thinking about how to keep people in the rural areas and make their life worthwhile.

"We exist to ensure that the countryside is properly developed, socially and economically."

This is particularly pertinent now because the countryside is facing an acute crisis. "For the first time in history we have a surplus of food. Something has to be done about that surplus and the question of what has only been avoided this year because the good British cereal harvest has not been matched elsewhere in Europe.

"If there is a bumper crop throughout Europe next year then it is inevitable that quotas will be cut and some land, some farms, will have to switch to something else. Whatever happens, change is in the air and it could be disturbing change."

The crisis has already shown itself in falling land values, growing uncertainty and increasing unemployment. A farming industry that was 1m strong 40 years ago is now down to around 180,000. In 1984 the community shed 8,000 jobs; last year the figure had risen to 11,000.

While the Development Commission exists to help shore up the economy of the countryside, it does not directly provide services or factories. Its aid is concentrated on drawing the attention of those who provide services to the problems and suggesting solutions.

Provision of bus services is one example. The Commission does not fund routes. It does, however, have a fund to encourage innovative transport projects and has backed the introduction of community minibuses in the Cotswolds and Suffolk.

In the jobs field its strategy until recently placed particular attention on building small factories in country towns. That helped unemployment in those places but, ironically, exacerbated the drain off the land and intensified the urbanisation of the countryside, the very problem it was trying to solve.

There is still a role for small advance factory units, but the emphasis is now on the smaller ones, especially those between 500 sq ft and 1,000 sq ft (not much larger than a family garage). "I am a micro man," Lord Vinson admits. "This is what really matters."

Lord Vinson is also a Thatcher man. As fifth son of a farmer he did not, following the British principle of primogeniture, inherit land.

Instead, in 1952, on the completion of National Service with the army, he set up a plastics factory in Kent which grew into a market leader in coatings. By 1971 at the age of 40, he had sold it to the Imperial Group, a move that enabled him to go back into farming in Northumberland.

In the mid-1970s he came to the attention of Mrs Thatcher, then leader of the Opposition, and was asked by Sir Keith Joseph to found the Centre for Policy Studies, the right-wing group that became Mrs Thatcher's own think tank in opposition to Central Office.

Not all of Lord Vinson's ideas are necessarily identified with the Prime Minister or right-wing Conservatism. Indeed, the Labour Party seems to approve of the Commission's general approach since it has proposed enlarging its role. The greening of the Labour Party as well as of the countryside has been to his advantage.

He is careful not to criticise the Government even where, as in taxation policy, he is not completely in sympathy with its approach. Nor will he be drawn on financing, which has been tight in recent years. The present budget of £27m, of which over £1m is recycled income out of factory lettings, is little larger in real terms than the £19m allocated seven years ago.

A sudden infusion of money would not necessarily help, he states. Throwing money at a problem solves little. But the amount available for the countryside is pitiful put against that spent on the industrial areas which once reached over £700m and is even now running at over £200m.

Even so, the Commission is creating 5,000 jobs a year, not as many as are being lost but a useful total.

"What we need," Lord Vinson says, "is good neighbour jobs. A century ago the countryside was a hive of different activities. We need to get activity, perhaps different from then but activity nevertheless, back into the countryside."

## BUSINESS LAW

# Out of court, in pocket

BY DERRICK OWLES

LAW REFORM is universally said to be a good thing. We do not much like the society we have created: common wisdom holds that its defects are clearly the consequences of inadequate law, and if we improve the law, we therefore improve society.

Such goes the reasoning that has spawned innumerable studies and reports, all based on the belief that to change is to improve. Strangely enough, most changes in the law have been improvements. The law today is better than the law 50 years ago. But current pressures for change may not lead to a better world, and US legislature has, it seems, been stampeded into changes that may not be all that wise.

The basic cause of this legislative activity is the so-called insurance crisis. Business cannot, or so it is said, exist without insurance, and insurance appears to be either too costly or not available at all. Why? Because the law allows extravagant and unreasonable rewards of damages and makes the path to the courtroom far too attractive.

It is easy to descend into hell: it is equally easy to haul fellow-citizens into a courtroom, and to everyone except lawyers a courtroom is at best an anteroom to hell.

So what has happened? The US Congress has for a decade or so been talking about a federal product liability law to replace the present chaos of conflicting state laws. Product liability is not the only cause of our troubles, and there is much more being said today about "liability" law which also covers all the various forms of negligence. However, such activity as there is has been centred so far on product liability. So it is convenient to look at the problem in product liability terms.

While Congress has been talking about federal product liability law, special interest groups have been hard at work lobbying state legislatures. The result has been a crop of "reform" statutes, which, if they do nothing else, seem to increase the existing chaos. Choice of forum is going to become even more important. A study of these statutes shows the issues that worry people and that different states have different policies.

We may not applaud the solutions, but our attention is drawn to the problems.

For example, there is the Alaska legislation which came into force on June 11. It limits non-economic damages for negligence, causing personal injury to $500,000 for each claim, but that limit excludes damages for disfigurement or severe physical impairment. Punitive damages in tort or contract may be awarded only when supported by "clear and convincing evidence" (but the legislation does not say, evidence of what).

The jury must itemise its award under five headings of loss: past economic; past non-economic; future economic; future non-economic; and punitive damages. Damages are to be apportioned between the parties when contributory fault is proved. If an award is made against more than one defendant, the jury is to answer special interrogatories, indicating:

- The amount each claimant would have been entitled to recover if contributory fault were disregarded;
- The percentage of total fault to be attributed to each party and any person who has been released from liability by a settlement agreement.

Parties are to be jointly and severally liable, but a party who is allocated less than 50 per cent of the total fault may not be jointly liable for more than twice his percentage of fault.

A summary of the act is enough to show that it raises as many questions as it answers. It also points to those aspects of current law which cause most concern. The first cause for concern is the amount of damages awarded in many cases. The limit of $500,000 applies only to negligence and excludes disfigurement and severe injury. It does not apply to strict liability claims but many damage awards are based on strict liability.

It is clear from the legislation of other states that at the top of the list of unwanted features of liability law is the level of damaging awards. Maryland, for example, has imposed a limit of $350,000 for non-economic loss damages. Iowa has no limit, but attempts to restrict awards by emphasising that punitive damages depend on proof of "wilful and wanton disregard for the rights and safety of others." New Hampshire has a limit of $875,000.

New Hampshire passed a general product liability act in 1978, but that act was declared unconstitutional by the state supreme court, mainly because of the provision in the act that banned claims after 12 years had elapsed since the product left the manufacturer's hands. Other states have enacted statutes of repose, banning actions after varying numbers of years. Only in a few cases have these statutes been declared unconstitutional. The present state reform statutes have, therefore, followed product liability statutes which attempted with varying degrees of success to restrict some of the excesses of the courts.

All this state legislation results from a feeling that the courts have interpreted the law too much in favour of plaintiffs.

Another issue causing concern is the liability of joint tortfeasors. Each participant in a tort is liable for the whole of the damages, no matter how small his share of the fault may be. The result is that a successful plaintiff could recover all his damages from a wealthy defendant whose contribution to the harm was minimal. The real cause of harm would escape. Some reforming legislation therefore is similar to that in Alaska and provides that a joint tortfeasor is to be liable only when his share of the fault is at least 50 per cent, and a joint tortfeasor who is liable, is not to pay more than twice his proportionate share of the fault.

In Florida the reforms go further. Joint and several liability are abolished altogether. New Hampshire, however, has provided that the court shall determine each defendant's share of the damages, and leaves the principle of joint liability in force. In Iowa, joint liability is not to apply to a defendant who is found to bear less than 50 per cent of the fault.

Even a casual look at these uncoordinated reform acts brings home to us the diversity of liability law among the states. The need for federal legislation is pressing, and Congress realises that it ought to do something.

Both House and Senate have produced similar product liability bills that are supported by the Government. They would deal with punitive damages by requiring a separate hearing on the issue. They would limit non-economic damages to $100,000, which is the lowest figure proposed in any of the reform legislation. There is an alternative bill, supported by Sen Danforth, chairman of the Senate Commerce Committee which would provide a limit of $250,000 and would also restrict punitive damages to twice the compensatory damages.

The government-supported proposals on joint and several liability are that only defendants who acted in concert would be jointly liable.

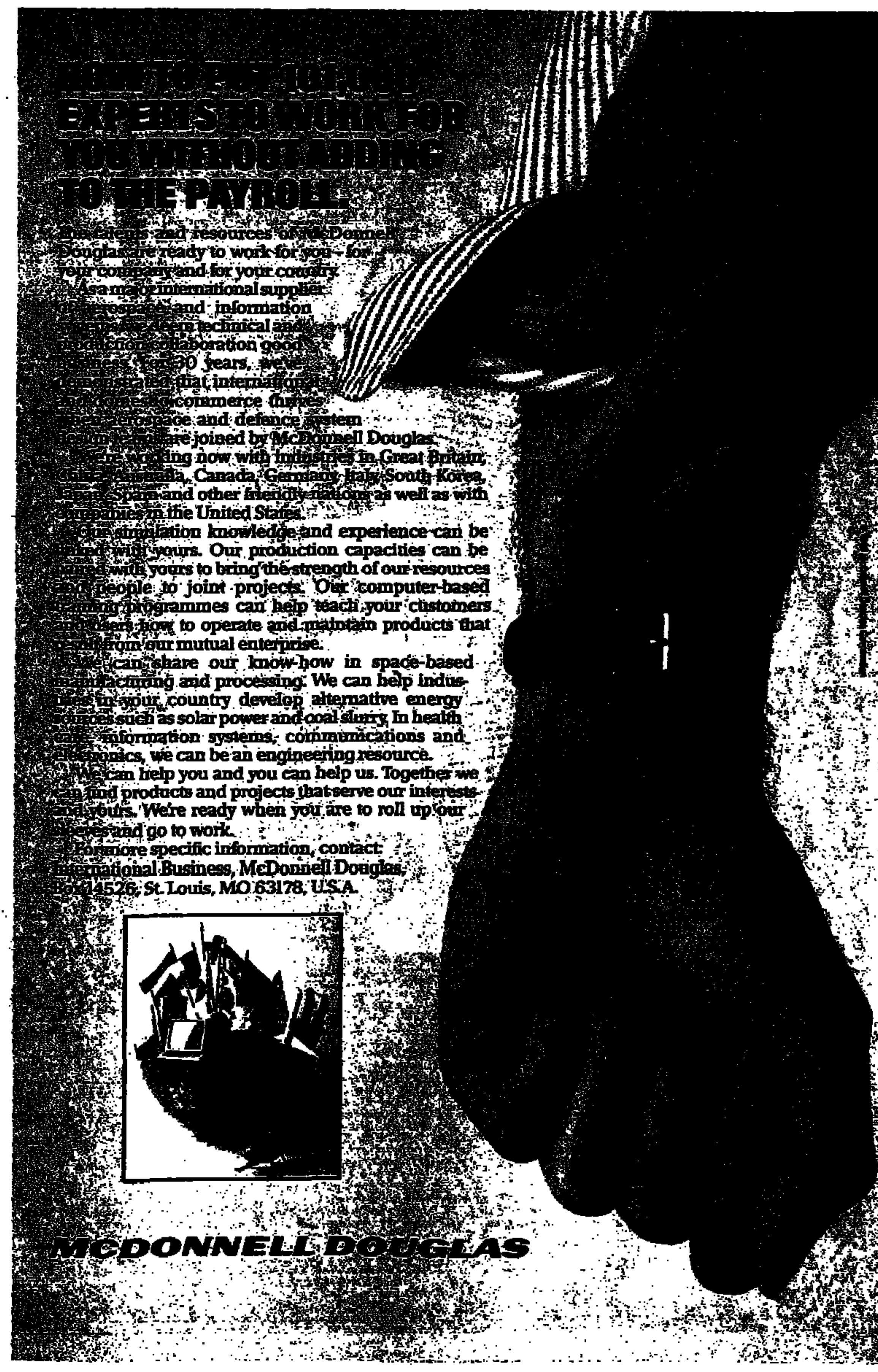
Congress has hardly time in this session for legislation, but the chances are that next year a federal product liability act will be passed. The chances are not so good that the act will improve the law. The key to improvement is to be found in Sen Danforth's proposals, which include incentives for out-of-court settlements. The more people can be persuaded to stay away from the courtroom the better society will function.

*The author is senior fellow of Gresham College, an affiliate of the City University, London.*









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# Soft loan shortage 'threatens Indonesian orders'

BRITISH manufacturers of marine equipment face exclusion from a $300m Indonesian ship replacement programme because of a shortage of soft loan finance, it was claimed yesterday, writes Kevin Brown.

The British Marine Equipment Council said the Government was unwilling to advance sufficient financing to allow companies to compete on equal terms with Japanese, West German and Dutch competitors.

Mr Peter Hammersley, director of the BMEC, said British Shipbuilders had agreed design concepts with the Indonesian Ministry of Research and Technology for 20 of the 80 coastal freighters expected to be built.

The contract would be worth around $6m to the Maritime Design Consultancy of BS. Orders for navigating, cargo and propulsion equipment could be worth a further $20m to other British suppliers.

Mr Giles Shaw, the Trade Minister, is understood to have agreed to meet the BMEC to discuss the possibility of special assistance for the project.

The Overseas Development Administration said yesterday, however, that the ship replacement programme did not figure in a list of priority projects agreed with Indonesia for soft loan finance worth £140m over the next three years.

□ CITY OF LONDON should expect a fierce reaction from the regulatory authorities if the competition unleashed by the Big Bang reforms leads to frauds and insolvencies, said Sir Kit McMahon, group chief executive of Midland Bank and former deputy governor of the Bank of England.

□ IRELAND has rejected applications for higher air fares on the route between Dublin and London, but approved price cuts on some provincial routes in the UK.

□ BARCLAYS BANK has decided to offer mortgages to people who want to buy a second house in the UK. To qualify for the mortgage, people will have to live in their second house occasionally and will be able to let it only for holidays. The total amount borrowed from Barclays for a main house and a second house will be limited to £200,000.

□ DEMAND for a new satellite television receiving system launched by the Carlton Communications company Skyscan has greatly exceeded expectations. Mr Ray Brassington, managing director of Skyscan said that since the launch of the remote control system aimed at the domestic market at the beginning of last month, firm orders for 4,900 have been placed.

□ ICL, the British computer company, underlined what it called its "growing commitment to defence" by opening a new £2m defence systems centre at Winnersh, near Reading, west of London.

The centre was opened by Mr Peter Levene, the Ministry of Defence's chief of defence procurement, who has been trying to increase competition in UK defence contracting.

□ EXCO International, the financial services group, is to inject a further £30m into its two stockbroking businesses – Wico, its Far East operation and W.I. Carr (UK), its London-based subsidiary.

Funds will be used to expand the scope of the stockbroking operations, which now involve more trading for the firm's own account than in the past, and in upgrading information systems and equipment.

□ AUTOMOTIVE Products, the vehicle components maker, is seeking 300 voluntary redundancies at its Leamington, Warwickshire, plant which employs 4,500.

The company said the cuts were being made with the full co-operation of trade unions.

# Trade chief quits after clash on outsiders' posts

BY CHRISTIAN TYLER, TRADE EDITOR

DISAGREEMENT ABOUT the employment of outsiders to help run the Government's financially troubled Export Credits Guarantee Department (ECGD) lies behind the decision of Mr Jack Gill, head of the ECGD, to seek early retirement at the age of 58.

The Government is advertising for a new chief executive from the private sector as a result of what is seen as Mr Gill's reluctance to accept a shake-up of his senior management.

Reports of a clash with Mr Norman Tebbit, former Trade and Industry Secretary, and now chairman of the Conservative Party, are being denied. But his department's decision last year to recruit three of the five ECGD under-secretaries from the private sector is understood to be one of the main reasons for Mr Gill's wish to go.

Since that decision, only one outsider has been taken on, Mr Geoffrey Codd, who will head the ECGD's planning and information technology group.

The Government rejected the recommendation of an ECGD internal management review headed by Mr Fred Chapman, chief finance officer, that an executive board of part-timers from outside should be created. Instead, Mr Paul Channon, then Trade Minister, called for the appointment of full-time outsiders at under-secretary level as a better way of achieving a "substantial programme of change."

One ECGD official yesterday described Mr Gill's decision as "a bombshell." He and others said his departure looked like a trade-off: a new ECGD head from the private sector to compensate for lack of progress on "privatisation" at the level below.

However, there are doubts about whether the Government will be able to get a man of the required quality on the terms it is offering. Mr Gill, who stays at least until a successor is found, is said to be ready to continue in office if the search fails.

One banker said yesterday the Government's advertisement was "totally unappealing" for any well-paid career man because it offered neither permanence nor a high salary. The advertisement said, however, that more than the civil service salary range of £41,500 to £43,500 might be paid.

Meanwhile, some ECGD managers have been approaching friends in the City of London to ask if they are applying for the job. The name most widely canvassed is that of the well-regarded Mr Malcolm Stephens, presently head of Barclays Bank export finance division and himself a former ECGD man. Mr Stephens is on holiday and could not be contacted yesterday.

Mr Gill has said he is leaving to take advantage of a civil service scheme under which full pension is paid after 40 years service. He has spent most of his career in the ECGD or the Trade and Industry Department, where he was formerly secretary of the Monopolies Commission.

But the ECGD head is known to feel that the Government's demands would destabilize the running of the department at a critical time. The ECGD has a cash deficit of over £300m, and expects to be borrowing as much as £3bn from the Exchequer by 1990 because of the inability of Britain's customers to pay their trade debts on time.

# NatWest focuses on mid-corporate market

BY DAVID LASCELLES, BANKING CORRESPONDENT

NATIONAL Westminister Bank (NatWest), the UK's largest retail bank, is re-organising itself for a determined attack on the middle-sized company market – which it defines as companies with an annual turnover of between £1m and £100m.

Mr Alan Jones, the newly appointed director of commercial banking services, said yesterday that the bank would be setting up 100 corporate business centres over the next three years staffed with specialists able to look after banking relationships with companies in their areas.

The aim is to have account executives who will be able to diagnose a company's needs and supply suitable services from the range offered by the NatWest group, which includes export finance, leasing, investment banking, insurance and international banking as well as conventional business loans.

The centres will have "hefty" lending discretion, Mr Jones said. He declined to say how large this would be but indicated it would be in the millions rather than the tens of millions of pounds. The level would cater for 80 per cent of each centre's loan needs, he said. Larger loans would have to be authorised only one stage away.

Each centre will also have funds to finance start-up and fledgling businesses that show promise, taking NatWest into the higher-risk end of the market.

Mr Jones said NatWest believed it already had the largest share of the mid-corporate market, which consists of about 65,000 companies.

# British companies set record for US bids

BY NIKKI TAIT

BRITISH companies have spent a record $8.5bn on transatlantic bids so far this year – and the pace is still quickening, with $4.5bn worth of deals in the last two months alone.

According to a study by stockbrokers Hoare Govett, the amount spent on buying US companies in the first three-quarters of 1986 is more than two-and-a half times as great as the $3.5bn spent throughout 1985.

The largest single acquisition was Hanson Trust's $930bn bid for SCM, but the Prudential-JNL, Allied-Lyons-Hiram Walker, Boots-Flint and BP-Animal Feeds deals also topped the $500m marks. The 20 largest deals cost over $7.3bn.

The brokers suggest that this activity has meant a considerable drain on the UK equity market. Over one-third of the money spent – $3bn – was raised directly from rights issues, vendor placings or vendor rights issues.

That compares with a total of £9.6bn raised from the London stock market in the first nine months of the year – a 29% advance on the same period in 1985, and almost twice the figure for 1984.

Moreover, the brokers point out that this strain on investors' purses has coincided with onset of pension fund holidays. This, they estimate, could dent institutional cash flow to the tune of £1bn for "some years ahead."

# Pretoria crackdown condemned

By Ivor Owen

SIR GEOFFREY HOWE, the Foreign Secretary, condemned the decision by the Pretoria government to restrict the operations of the United Democratic Front – South Africa's biggest anti-apartheid group.

Replying to a debate marked by clear expressions from the floor of support for the Botha regime and fierce criticism of those Commonwealth countries who have attacked Britain's failure to impose comprehensive sanctions against it, he insisted that the action against the UDF "must certainly be seen as a step in the wrong direction."

The Foreign Secretary, whose forceful speech received a well-merited standing ovation, reaffirmed the Government's abhorrence of apartheid and, while welcoming the reforms so far introduced, called on the ministers in Pretoria to recognise that it was political power which must be shared.

He emphasised: "They must find the courage to accept real change."

At the same time, Sir Geoffrey maintained that it was naive to contend that imposing a total ban on all trade with South Africa could trigger the downfall of the Pretoria Government.

Sir Geoffrey vigorously attacked Mr Neil Kinnock, the Labour leader, and Mr Denis Healey, Labour's foreign spokesman, for their acceptance of a non-nuclear defence policy which would undermine the Nato alliance.

# Government to assist long-term unemployed

BY PETER RIDDELL, POLITICAL EDITOR

**Conservative Party in Bournemouth**

A SERIES of Government initiatives to help the young and long-term unemployed back into employment were yesterday outlined by Lord Young, the Employment Secretary, at the Conservative Party conference in Bournemouth.

The moves involve testing the feasibility of offering all under 25-year-olds unemployed for six months the possibility of providing a job or a range of training opportunities.

This could involve the offer of a job, a place in a Jobclub, help to set up a small business through the enterprise allowance scheme or a place on the new job training scheme.

Lord Young said the Government would be saying: "Whatever your skills or experience, we have something to offer you that will improve your chances of finding a permanent job."

The main theme of his low-key speech, for which he received a standing ovation, was that Britain was already doing more than any other country to help the unemployed to develop skills and with special measures, but was prepared to do more.

In detail, he announced:

● A new job-training scheme to provide six months of training and works experience, leading to a recognised vocational qualification for those who cannot find a job or a Jobclub. Pilot tests will begin next month in nine areas with trainees being paid an allowance equivalent to their benefit plus travelling expenses.

● The testing of a new restart programme to help those who have been unemployed for six months. The existing programme is for those unemployed over 12 months and offers help on job-hunting, applications and interviews. This extension applies to the original nine pilot areas.

● A major expansion in the number of Jobclubs, self-help groups with expert help and free facilities to members looking for work, from 250 at present to 1,000 by March next year and, if the need continues, to 2,000 by September 1987. For the first time the private sector will be invited to help run Jobclubs with a cost of about £100 per person. At present they are mainly in JobCentres. Two out of three people leaving Jobclubs have gone into work.

● A relaxation in the rules of the Enterprise Allowance Scheme to allow unemployed people to start businesses under franchise operations and to qualify for the £40 a week allowance available to people unemployed for eight weeks or more who set up their own businesses.

Lord Young later made it clear that these new measures would be financed from within existing resources devoted to assisting the long-term unemployed.

Tom Lynch writes: Opposition peers welcomed Lord Young's announcement, outlined in a statement in the House of Lords by Viscount Whitelaw, the leader of the Lords. However, they expressed concern about whether the measures would help create new jobs.

Lord Cledwyn of Penrhos, the opposition minister in the Lords, asked whether the Government believed that the restart scheme would help create jobs "or is there not a real danger that it will merely mean a reshuffling of unemployment so that some will be able to compete more effectively for the same number of opportunities."

For the Liberals, Baroness Seear said the training element of the schemes was important. "If all we are doing is making unskilled people slightly less unskilled they will go back into unemployment."

Lord Whitelaw said the announcement was "an earnest of the Government's determination to tackle the problem of long-term unemployment."

# Call for caring capitalism

By Michael Cassell

MR Michael Heseltine, the former Defence Secretary, yesterday threw his full weight behind the Government's bid for a third term, but forcefully restated his case for "caring capitalism" and called for an imaginative and generous effort to tackle the hopelessness of unemployment.

Talking to a packed meeting of enthusiastic supporters organised by the Bow Group, Mr Heseltine launched a full-scale attack on Labour policies and spelled out the basis of a new industrial charter for reversing Britain's decline.

In a clear message to his former ministerial colleagues, he said that the Government had begun the process of converting a property-owning democracy into a capital-owning democracy. But, as power shifted to the private sector, there was a responsibility to ecourage "those qualities of care and concern without which popular democratic consent for the process itself will be withheld."

Mr Heseltine resigned earlier this year after he clashed with the Prime Minister over the future of the Westland helicopter company.

He criticised the growing gulf in prosperity between the north and south of the country and called for a fresh offensive to reverse inner-city decay. A period of partnership between shareholders managers and workers and between industry and government, was urgently needed

# Lawson reaffirms aim to cut income tax

BY IVOR OWEN

MR NIGEL LAWSON, Chancellor of the Exchequer, made no mention of sterling's recent troubles when he addressed the Conservative conference yesterday.

His sole reference to the fact that the financial markets "have been nervous" came when he again claimed that the cause was the fear that the Labour's Party's programme might lead to a return to "the rake's progress of the 1970s."

Nor did the Chancellor make any direct comment on the view of Mr John Duffy, a company director from mid-Sussex, that "high interest rates can be as damaging as high inflation."

In a speech which received a standing ovation, Mr Lawson reaffirmed that it remained the Government's "long-term aim" to get the standard rate of income tax down to 25 per cent – through further cuts made "when it is prudent to do so."

He envisaged a third Conservative election victory resulting in the Government agreeing to aim to "eliminate inflation altogether," in the next parliament.

The Chancellor also looked forward to the next parliament seeing "most" of the remaining state-owned sector of industry being privatised and the doubling of the number of people directly owning shares in British industry.

To loud applause, Mr Lawson promised that the Government would never take risks with inflation.

There would be no "spending spree," borrowing would be kept firmly under control, and it would be the aim to reduce the burden of taxation "for all the people."

The Chancellor maintained that the defeat of inflation was a moral and social necessity, and not just a political and economic victory.

He stressed that the policies which had brought inflation through "an unprecedented fall" to below 3 per cent had also resulted in Britain experiencing the sixth successive year of an output growth at an average rate not far short of 3 per cent a year.

Mr Lawson acknowledged that the collapse of the price of oil meant that worldwide growth this year would be "a little bit" below average but emphasised that the outlook for next year was "significantly better"

# Glen Dimplex pays $120m for US kitchen appliance maker

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

GLEN DIMPLEX, Britain's largest domestic heating and small appliances company is to pay $120m for Hamilton Beach, one of the best-known kitchen appliance makers in the US.

The deal will:

● More than double Glen's annual sales to some £300m ($426m)

● Increase the workforce from 2,800 to over 4,000

● Broaden the group's engineering range from its present base in heating to include motor-driven appliances such as food processors, and

● Launch the privately owned company firmly into the biggest appliances market in the business with two factories in N. Carolina and access to 50,000 retail outlets.

It also represents a further important change in the structure of the world market in domestic appliances, which has been transformed in the past few years.

Announcing the agreement to buy Hamilton from Scovill Manufacturing, a subsidiary of First City Industries of Vancouver, Mr Lochlann Quinn, deputy chairman of the 12-year-old Glen Dimplex group, said the purchase was being financed largely in the US.

Glen has put up $15m and Morgan Stanley will raise $80m through a private debt security placement in the form of subordinated debentures. A group of banks led by NatWest USA is to contribute most of the balance and has also agreed to provide a $50m working capital facility.

Mr Quinn said Glen had won control of Hamilton after an "auction" which had involved at least two US appliance makers and one US venture capital fund. Negotiations began at the end of August.

The GE brand was US market leader in 1984 when it was sold for $300m to Black & Decker. The new owner has since had difficulties persuading US and European consumers to accept its brand name – formerly associated only with power tools – on a range of irons, mixers and coffee machines.

Sunbeam is a subsidiary of the troubled Allegheny International group, which recently sold its European small appliances interests in Rowenta of West Germany to Chicago Pacific, new owner of Hoover.

Mr Quinn stressed Hamilton Beach's consistent record. He said it had produced profits of between $12m and $15m a year for the past decade – equivalent to a 10 per cent return on sales before tax and interest.

Sales this year are expected to total $185m, and the company claims to be market leader in six categories, including blenders and food processors.

Glen, based in Co Louth, Ireland, and owned roughly 75 per cent by Mr Naughton and 25 per cent by Mr Quinn, does not disclose profits, but it has so far financed most of its rapid growth out of earnings.

# Scottish paper prints banned Saudi article

BY RAYMOND HUGHES AND ROGER MATTHEWS

THE FOREIGN Office was twice in contact with the Saudi Arabian embassy in London yesterday after publication in the Scottish morning newspaper, the Glasgow Herald, of extracts from the valedictory despatch of Sir James Craig, British ambassador to Saudi Arabia until 1984.

The New Statesman, the left-wing political weekly, was banned from publishing the despatch by the High Court in London, on Wednesday after an application from the Treasury solicitor arguing that its disclosure could seriously damage diplomatic and commercial relations between the two countries.

A Foreign Office spokesman described the two telephone conversations with Saudi officials as "brief and relaxed". He said they were "wholly undramatic" in nature.

There has not been any contact between Mr Stephen Egerton, Britain's ambassador in Riyadh, and the Saudi Government on the Craig issue.

Newspaper reports that the incident would lead to the cancellation of the visit to Saudi Arabia next month by the Prince and Princess of Wales were described by a Whitehall official as "the product of a febrile Bournemouth imagination."

Mr Tam Dalyell, the Labour MP, yesterday demanded that Britain should immediately apologise to Saudi Arabia and warned of serious job losses if relations deteriorated.

The Government failed narrowly in the early hours of yesterday to prevent the Glasgow Herald publishing extracts from the former ambassador's final despatch.

A Scottish High Court order, obtained by the Lord Advocate, the senior Scottish law officer at 4.10 am, was served on the Glasgow Herald's publishers too late. The newspaper was by then off the presses.

Acting on legal advice, the Glasgow Herald did not carry the despatch in its first edition, which circulates in England. The text appeared only in the second and third editions.

The Scotsman newspaper, published in Edinburgh, paraphrased extracts from Sir James' despatch, with some direct quotes from it, on its front page. No court order had been sought against it.

Mr Chris Baur, the Scotsman's editor, said that, after satisfying himself about the authenticity of extracts of the despatch obtained by the Scotsman, he had taken legal advice on the basis of which he decided to publish.

The Glasgow Herald order was granted by Lord Davidson, a judge of the Court of Session in Edinburgh, against George Outram & Co, publishers of the Herald.

The judge granted an interim interdict (a temporary injunction) on an application by the Lord Advocate, acting on behalf of the Foreign Secretary and instructed by the Treasury Solicitor, head of Whitehall's legal department.

The order restrained publication or distribution within Scotland of any newspaper containing copies, extracts from or resumées or paraphrases of Sir James' despatch.

George Outram and Co, said that when it heard of the injunction, at about 5.30am, printing of the Herald had been completed. Every effort had been made to comply with the order and no further copies had been issued.

# Political weekly seeks backing

By Raymond Snoddy

THE New Statesman, the left-wing political weekly, has decided to try to broaden its equity base and raise about £500,000 for future development.

The magazine plans to approach a number of individuals to ask for financial help, which could be in the form of a rights issue, a loan or even a gift.

"The board has agreed that the New Statesman can and should use a substantial sum to expand editorially and commercially," Mr John Lloyd, recently appointed editor of The New Statesman, said yesterday.

The present share structure of the weekly, drawn up by the economist J.M. Keynes, dates from 1931 when it merged with The Nation.

The structure was designed to ensure that no individual or small group should be able to buy control. There are about 50,000 ordinary shareholders of the New Statesman, but the 500 voting shares are controlled by the non-executive directors, led by the chairman Mr Philip Whitehead.

The precise proportion of shares that could become available through any rights issue would be subject to negotiation to safeguard the New Statesman's independence.

Circulation has fallen from 100,000 in the mid-1960s to around 27,000 now and losses have been running at about £10,000 a month. Unofficial sales figures for the London area suggest the circulation may have risen by 20 per cent since Mr Lloyd became editor, the magazine was redesigned and its content sharpened.

Across the political divide the Spectator is now claiming sales only a handful short of 30,000.

# Phones on wheels join price revolution

**Terry Dodsworth explains how rapid technological advances have put cellular car telephones within reach of the masses**

WHEN MOBILE cellular car telephones were launched in the UK in January 1985, it was tempting to believe that they were little more than expensive gadgetry aimed at the gilded few. But not anymore.

Sometime in the next few weeks, and probably the next few days, the number of cellular car telephones installed in the UK will top 100,000, a telling indication that the market is being rapidly democratised.

The explosive growth of the car telephone business has taken several of the participants in the industry by surprise. Yet in many ways the development of the business is just another striking example of the exceptional capacity for expansion displayed time and again by electronics-based businesses.

The pace of market growth has been fuelled by a mutually reinforcing combination of technological improvement, falling prices and rising volume – a happy conjunction of factors familiar in industries stretching from computers to pocket calculators and digital wrist watches.

On the technology side of the equation, the industry's ability to meet new challenges was demonstrated again yesterday with the launch of a new piece of advanced gadgetry by British Telecom Mobile Phone – a telephone which dials a number in response to a spoken word.

The new product, which would not have been possible without rapid advances in the tricky electronics of voice recognition, meets two clear market objectives.

On the one hand, it gives the mobile telephone industry a glamorous, innovative telephone set with clearly enhanced characteristics over what is currently available.

On the other, it represents a powerful response to the criticism that car phones constitute a safety hazard because they require drivers to manipulate a car with one hand. With the additional use of microphone speaker systems, it will now be possible for drivers to make and receive calls without picking up the handset at all.

Prices have shown just as dramatic a change as technology in the 20 months that the cellular telephone industry has been operating in the UK. Base models are today retailing at around 30 per cent less than in January last year, with list prices running at about £900 a set against £1,250, although it is possible to buy discounted products even more cheaply. As the electronics in the products become cheaper, and the production runs grow longer, prices are expected to continue to fall.

Predictably, the decline in prices is being accompanied by a steady rise in sales volume. Racal Vodafone, a subsidiary of the Racal electronics group, and one of the two licensed operators of the cellular phone network, says that it is adding subscribers at a rate of more than 850 a week at present.

In the first year of operations, Vodafone attracted 19,000 subscribers against a forecast rate of between 10,000 and 15,000, and in its current financial year it is already well ahead of its target of 35,000 units, with around 20,000 notched up in the first six months.

The combined subscribers to both Vodafone and Cellnet, the second cellular phone system owned by British Telecom and Securicor, stood at roughly 90,000 at the end of last month, with each of them holding 50 per cent of the market.

The widening acceptance of the system is demonstrated by the geographical spread in ownership. Although installations are still concentrated in the south east of England and particularly London, they are expanding steadily throughout the rest of the UK. Vodafone calculates, for example, that well over 30 per cent of the subscribers to its own network now lie outside the south east region.

Ownership of cellular phones is also steadily expanding across a broader social base. Initially it was thought that the system would appeal mostly to professional people and senior executives, but it swiftly caught on in a big way among managers at the sharp end – individuals running their own business, building site managers and contractors who spend a large part of their time out of the office, taxi drivers and so on.

For these people the cellular phone seems to be living up to its publicity as a productivity tool. Mr Hugh Lang, chairman of PE-International, the consulting group which recently went public, says that his cellular phone was invaluable during the planning of the flotation, when he was perpetually moving between his office on the outskirts of London and the City.

Over the past three to four months, a market which is potentially even more significant in volume terms has begun to emerge – the car fleets run by Britain's large corporations. Several companies have begun to toy with the idea of installing cellular phones in their salesmen's cars or lorry fleets, and a number have already begun to work on pilot schemes.

ICI, Britain's leading chemicals group, for example, now has 180 installed units spreading right across its business in terms of executive rank and geography. ICI says that it is still evaluating the impact of the system among its representatives, and has not determined as yet whether it is cost effective.

But if it comes up with a positive answer, and other companies follow it down the same route, the cellular phone industry will be able to keep expanding on its present straight growth path well into the future.

# Daihatsu warned over pricing

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE OFFICE of Fair Trading has warned the company which imports Daihatsu Japanese cars to the UK not to attempt to maintain resale prices.

Daihatsu UK, a subsidiary of the Tozer, Kemsley and Millbourn trading group, has given the OFT written assurances and will also write to its 150 dealers "advising them that they are free to sell and display for sale Daihatsu's products at whatever price they may choose."

The OFT contacted the car distributor following a complaint from a franchised dealer who had been told by Daihatsu UK that discounting on sales of vehicles outside the dealer's appointed territory was not tolerated.

Daihatsu threatened to reduce the dealer's supply of vehicles if he continued.

Dealers were, however, permitted to discount within their own appointed territories, the company said.

The OFT said yesterday it considered the contents of the letter were in breach of the Resale Prices Act 1976 because Daihatsu was seeking to establish the minimum prices to be charged on the resale of vehicles outside the dealer's area.

Daihatsu imports are severely restricted by the voluntary agreement which limits Japanese vehicle shipments to the UK. Last year just over 4,500 Daihatsu cars and about 3,000 light commercial vehicles were registered.

# Ruling in private on Libyan assets case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HIGH COURT ruling in a dispute about frozen Libyan assets and the extra-territorial powers of the US Government, which is being closely watched by the international banking community, is to be given in private.

Press and public will be excluded when a judge of the Commercial Court gives his decision – probably next week – on a move by a Libyan bank to get immediate judgment on its claim for nearly $300m against the London branch of the New York-based Bankers Trust Company.

Libyan Arab Foreign Bank, which is wholly-owned by the Libyan central bank, has contended that Bankers Trust has no arguable defence to the claim.

At the end of a three-day court hearing in chambers earlier this week, Bankers Trust blocked an attempt by the Libyan bank to persuade Mr Justice Evans to give his decision in open court.

The case is a step in Libya's attempts to recover from US banks assets frozen on the orders of President Reagan as part of his drive against terrorism.

It raises questions about the extra-territorial reach of the US Administration, similar to those provoked by President Carter's freeze on Iranian assets during the 1979 Tehran hostages crisis.

None of the welter of litigation actions prompted by the Iranian crisis ever came to judgment, being settled when the hostages were released, so the question of the legal right of the US Government to freeze bank assets outside US territory has never been ruled on

Although the precise details of the Libyan bank's application are not known, it is likely that a ruling by Mr Justice Evans in its favour would end the case – subject to any appeal by Bankers Trust.

If the Libyan's application fails they will have the choice of appealing or waiting for the full trial of their action, fixed for next June.

It is understood that the case relates to money which the Libyan bank claims it instructed should be transferred from New York to Bankers Trust in London. The writ, issued in May, claims $131.2m plus interest and $161.3m plus interest, with "further or alternative" claims for damages in like amounts.

In addition there is a claim for a declaration that on April 21 Bankers Trust's London branch wrongfully debited the Libyan bank's account with $7.7m "and that the said debit is of no effect."

There is another "further or alternative" claim for damages for breach of contract and for an indemnity against "any and all liabilities the (Libyan bank) may have incurred or may in the future incur by reason of (Bankers Trust's) failure to comply with certain payment instructions."



# Honda's Legend drives out on time

By John Griffiths

HONDA DOES not consider itself to have been harmed by the renewed losses and management upheavals of its joint venture partner, the state-owned Austin Rover, according to executives of Honda UK, the Japanese car maker's wholly-owned import subsidiary.

Mr Trevor Elliott, Honda's UK divisional manager for cars, said at a pre-launch presentation of the Honda Legend that Austin Rover had been fully on schedule in starting production of the car at its Cowley plant near Oxford.

The Legend is Honda's version of the jointly-developed executive car which Austin Rover is already selling as the Rover 800 Sterling.

Mr Elliott said Honda had been "very pleased" with the first units received from Cowley and he envisaged "no particular problem" in their meeting the standards set by Honda for its Japanese produced vehicles.

Honda has emphasised throughout, however, that all cars produced for it by Austin Rover would be processed through Honda's own pre-delivery preparation and test centre, in which it has invested £20m at the 300-acre former airfield it acquired at Swindon, Wiltshire, several years ago.

The centre, which includes a respray plant, is capable of comprehensive reassembly if necessary, said one executive.

Although the Legend will be unveiled at next week's international motor show in Birmingham, first deliveries to customers will not begin until early next year.

Mr Elliott said Honda expected to sell 2,000 Legends in the UK next year, with a further 4,000 being produced for European continental markets.

In addition, Austin Rover has begun producing Honda's Ballade model, of which Honda expects to sell 5,000 through its own dealer networks next year.

Ballades will be assembled alongside the Rover 200, which itself is basically a Ballade built under licence. The cars have common 1.3 litre engines, but each company uses its own engines in larger capacity models.

The Legend, unlike the wide Rover 800 model range, is to be offered in only two versions. Both will use Honda's 2.5 V6 engine. There is to be a well-equipped standard car, to be priced between £14,700 and £15,000, including taxes. The special equipment model will have an extra equipment package costing around £2,000 and which cannot be amended.

Mr Elliott said the Legend should be seen as a direct competitor for some of the more expensive Rover models. Honda's sales had been mainly to private buyers, but "we would now hope to find sales being made to chief executives."

# Goldcrest attracts US investment interest

BY RAYMOND SNODDY

GOLDCREST, the independent British film company, which ran into serious financial difficulties at the beginning of this year, is close to attracting new US investors.

Mr John Chambers, Goldcrest finance director, said yesterday that the company had received a number of serious offers, one of which was for more than 50 per cent of the equity. He said, however, that film industry rumours that Goldcrest was for sale were untrue.

"The company is not for sale and our major shareholders want to stay in", Mr Chambers said. No decision had yet been taken on what proportion of the equity might be made available to new shareholders.

Goldcrest's main shareholders are Pearson (publishers of the Financial Times) with a 41.2 per cent stake, the Coal Board Pension Fund and Electra Investment Trust. The company wants to raise between $10m and $20m so that it can begin investing in film production again.

Without money to put up for advances or guarantees it is difficult to win lucrative distribution deals. Goldcrest ran into trouble when Revolution, the £19m film based on the American Revolution turned out to be a box office disaster.

Since then, however, things have started to look up for Goldcrest. A Room with a View, in which Goldcrest was the largest single investor, turned into an unexpected hit and David Puttnam's new film The Mission, which opens in the UK later this month, has already been a success in Spain.

# Pit closure opposed

BY MAURICE SAMUELSON

FOR THE second time since the end of the miners' strike, the independent review body set up in its closing stages has asked British Coal to keep open an uneconomic pit because of the impact on the local community.

British Coal wants to close Cadeby colliery, in South Yorkshire, which it says lost £19m, in the past three years and has not made a profit for the past 20.

But after a lengthy appeal by the National Union of Mineworkers and Nacods, the colliery officials' union, Mr Anthony Diamond QC has concluded that while it is reasonable to close the pit on pure financial grounds, British Coal should "think again in view of the social consequences of closure."

# MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

## The Daily Telegraph

# A delicate refurbishment

**Raymond Snoddy reports on the UK newspaper's survival strategy**

MAX HASTINGS, the 41-year-old editor of the Daily Telegraph, was left in no doubt that not all readers liked the changes he introduced to modernise Britain's most traditional national newspaper.

"The first time we had a letter from a contented reader I thought we should have him stuffed," Hastings said recently at a presentation to the advertising industry.

Holding such a presentation at all was very unusual for the Telegraph. But the new management team installed since Conrad Black, the Canadian businessman who took control from Lord Hartwell and the Berry family in December, went on to bear their breast. To say the Telegraph had an "image problem" was too weak a term for the way the paper was viewed by non-readers. Young people, the market research showed, did not even want to be seen walking down the street carrying a copy.

According to Stephen Grabiner, the new 28-year-old marketing director, not only had the Telegraph's share of the quality newspaper market declined from 63 per cent to 49 per cent since 1980, but, he admitted, the number of 25-35-year-old readers had halved. At the presentations the assembled ranks of Telegraph executives all wore white badges carrying the legend "A New Spirit," with the word "new" backed by a splodge of Conservative blue to keep change in perspective.

They told how the company would be spending £8m on advertising and promotion, including the launch of the Telegraph's own numbers game, Passport, to win back younger readers and "its rightful position" as market leader.

After the presentation, Frank Rogers, the Telegraph deputy chairman, could hardly wait to tell chief executive Andrew Knight what he had overheard in the audience.

A young advertising man in a bow tie had, he said, described the event as "fantastic" and "most impressive."

In little over seven months foundations have been laid, designed to turn an institution trading off the declining capital of its past, into a modern newspaper.

Apart from an unparalleled level of promotion there has been:

- The delicate refurbishing of both titles by new editors, a process best symbolised by the arrival of a full spread of features in the centre pages of the Daily Telegraph.
- The apparent halting of the circulation decline at 1.125m, although the arrival of The Independent this week may well woo readers away.
- The creation of an orthodox management structure to replace proprietorial decision making.
- Most important of all, at the end of last month the Telegraph reached a comprehensive agreement with its production unions for the operation of the new £75m printing plant at West Ferry Road, on London's Isle of Dogs.

The unions accepted the technical manning levels needed to run the Goss Headliner presses—a reduction of some 60 per cent on the Telegraph's current Fleet Street numbers—and binding arbitration on all disputes including pay.

## Extinction

The origins of a plan to pull the Telegraph back from the verge of extinction probably go back to a dinner at The Economist on September 26 1985 given by Andrew Knight, then the weekly newspaper's editor. It was there that Conrad Black, with a 14 per cent stake in the Telegraph, met Frank Rogers, at 66 a wise old man of Fleet Street, former chief executive of IPC and chairman of EMAP, the newspaper and magazine publishing company.

The two men hit it off; Rogers became Black's representative on the Telegraph board and was to act as experienced adviser throughout the critical months.

"I was the link between what was practically feasible and what was managerially theoretically desirable," he says. Yet when Andrew Knight was first offered the chief executive's post he said "No." Conrad Black, Frank Rogers and David Montague, the merchant banker who was on the Telegraph board, had the ideas but not the shares to push them through.

To those involved Lord Hartwell appeared "uncomprehending" of the scale of the problems facing the company or how they might be solved.

It was only when control was passing to Black that Andrew Knight believed it was possible to save the Telegraph and agreed to take the job in early December. Before the end of the month he had a consultant's report by Coopers & Lybrand which said of the Telegraph: poor management — enormous potential.

The turning point for the Telegraph came at a management meeting on Wednesday January 8 in the conference room, weeks before Knight formally took over as chief executive. It was already too late to stop the agreements on manning levels at the Telegraph's new Manchester plant going through.

Knight, did, however, earn his salary by unilaterally lopping 10 per cent off the wage bill there—a saving of £2m a year.

But the meeting decided to freeze all negotiations with the unions on the move to the West Ferry plant — a high risk measure which could have taken the paper off the streets.

"The manning levels being negotiated were 90 per cent higher than we have actually achieved. I could not see how we could ever have made West Ferry commercial," Knight says.

The paper continued coming out despite the uncertainty caused by the freeze in negotiations. And then at the end of the month—lucky timing for the Telegraph management—Rupert Murdoch moved his Fleet Street titles to Wapping and industrial relations in Fleet Street would never be the same again.

"The new management, our employees and the unions immediately recognised after Wapping that unless our cost base was drastically reduced to compete with News International the company would not survive. That's the most important reason why the complex negotiations went so well," says Rogers.

The rest of the strategy flowed from the decision to freeze negotiations. Apart from technical manning levels needed to operate the presses rather than the traditional Dutch auction with the unions, the management sought the lowest possible cost base and durable agreements.

Negotiations were underpinned by a warning that £20m-£25m in redundancy and early retirement payments could only be financed if there were continuous production.

Angus Clark, the paper's experienced director of staff and industrial relations, says his approach was straightforward.

"I told the unions: 'You may not like what the company is saying but we are telling the truth. There is no secret contingency plan, no vans being hired, no contracts with TNT (the company which delivers News International titles).'"

The printing unions at the Telegraph agree that the main concern of both sides was to secure employment and the future of the titles and that the agreement reached, although containing "many unpalatable things," proves they are not Luddites.

Massive amounts of management time were absorbed by the negotiations but for Knight the need for modern management was just as pressing.

"We simply had to have a management team. In the past everything had always gone to the proprietor with the result that decisions were taken ad hoc based on tonight's production," says Knight. The Telegraph now has a clear management structure with divisional heads reporting to Knight in the new post of chief executive —introducing clear reporting lines and devolved responsibility.

## Revolution

"The Harvard Business School would think what we have done very old fashioned but in Fleet Street it's a revolution," says Knight, who personally chose both the new editors for both the Daily and Sunday Telegraph.

He chose Max Hastings to "get some fresh air" into the daily and 63-year-old Peregrine Worsthorne to give some bottom to the Sunday.

In June Ken Burton was brought from Thomson Local Directories as advertisement director and rapidly set up unprecedented detailed training procedures. By the end of the year the sales staff will have been increased from about 75 to 125 people to take advantage of the larger papers which can be produced by the West Ferry plant.

Looking back, Knight admits there were moments when he wondered whether it would all be possible.

"In February and March the circulation was dropping at the rate of 10,000-12,000 a month. I feared a downward spiral and that the changes would contribute to that spiral and we would have the worst of both worlds. Could we hold the circulation above 1m I asked?" Knight adds.

In fact the decline was halted in September before a penny was spent on promotion and the first stage of reform at The Telegraph—stopping the rot—is now almost complete.

A priority now, which Knight admits should have been tackled sooner, is the provision of a modern management information system. Cost and revenue figures are weeks out of date and present computer methods in the Telegraph, Knight concedes, bear no relevance to what a modern management team needs to know. Logica, the software and consultancy group, has been called in to design a new computer system.

Other problems awaiting solution include finding a new home for the editorial and commercial staff by next summer and the negotiation of direct entry of journalists' copy into electronic newsroom systems.

Change at The Telegraph has been on a massive scale and Lord Hartwell, chairman and editor-in-chief still, though proprietor no longer, has agreed to them all and accepts with good grace that the Daily Telegraph is a considerably improved newspaper as a result.

Outsiders such as Michael Prideaux, chief executive of Charles Barker City, the advertising agency, speak admiringly of the Telegraph "achieving a hell of a lot in a short space of time." But despite almost being turned on its head some truths remain self-evident at the 131-year-old publication.

"We believe the Conservatives are the only party fit to government the country and Margaret Thatcher the only leader to take it into the next election," Max Hastings, journalist of the year in 1982 for his Falklands War coverage, explains with certainty and conviction.

Trevor Humphries

Andrew Knight (left) and Frank Rogers: creating an orthodox management structure

## Management abstracts

**The workers' rights.** R. Sass in Journal of Business Ethics (Netherlands), April 1986 (7½ pages)

Outlines Canadian workers' existing rights to know about hazardous materials they work with, to participate in work environment matters, and to refuse jobs believed to be dangerous to their well-being; argues that these should be extended by statute to permit workers in industry to deal with work organisation and job design matters, insofar as they relate to occupational health and safety. Contends that the extension of rights is likely to lead to a reduction in industrial accident rates.

**Upward management: getting in step with the boss.** J. R. Darling and R. E. Taylor in Business (US), April/June 1986 (6 pages)

Argues that the ability to attain personal or organisational goals should not be restricted to downward influences (boss to subordinate); considers that upward influence by subordinates is essential and is a factor in leadership effectiveness of both subordinate and boss. Managing up, as it is called, is seen to be a matching of social style—categorised as amiable, analytical, driven, and expressive; examines the characteristics of each category, and how subordinates should take a flexible approach to style modifications if conflict is apparent and needs to be resolved.

**Environmental auditing.** I. M. J. Bins-Hoefnagels and others in De Accountant (Netherlands), June 1986 (7 pages, in Dutch, English version available)

Finds well proven the case for independent reporting on the environmental impact of business organisations—environmental in the sense of ecological. Concludes that professional accountants could indeed gear themselves to provide this service, and that such extension would be welcomed in society as auditors are trusted to be objective.

**Entrepreneurship and black capitalism.** E. W. Van Fleet and D. D. Van Fleet in American Journal of Small Business (US), autumn 1985 (10 pages)

Reports on the findings of a study of black and white-owned inner city companies; suggests that factors such as attitudes, values, and needs rather than financial or economic considerations are likely to explain what differences there may be between the successful and less successful enterprises: ethnic origins appear not to be a major factor.

**Attitudes to auditors' detection of fraud.** G. Jordan in Certified Accountant (UK), June 1986 (4 pages)

Reports on the results of a survey conducted by the Chartered Association of Certified Accountants of the business community's attitude to the auditor's role in fraud detection; compares the results with another (which included accountants) undertaken by the Auditing Practices Committee. The majority of respondents to the Association's survey thought auditors' responsibilities should be extended to detect fraud, provided that there would be no extra fees; less enthusiasm was shown for legal compulsion to report to authorities; and there was some favour for audit committees. The majority (72 per cent), response to the APC survey, however, favoured maintenance of the status quo.

**General motors and the public interest.** E. W. Johnson and R. T. De George in Journal of Business Ethics (Netherlands), June 1986 (6 pages)

The former vice president for public affairs at GM considers management responsibilities when the corporate purpose and social interest collide. An outline of the large corporation's responsibilities in modern society gives way to a discussion of how GM internalises social accountability into its policies; notes the problem attached to the corporation's mission to "do business as a responsible and ethical citizen." As a response, a professor of philosophy outlines four kinds of responsibilities, recognition of which—it is claimed—will help GM in sorting out what is morally obligatory and what is not.

**Overcoming user resistance to microcomputers.** R. L. Kliem in Administrative Management (US), May 1986 (3 pages)

Provides 19 guidelines for the successful introduction of office automation including: move the machines in gradually, starting with fairly simple applications; ensure top management support; focus on corporate goals rather than local issues and keep an eye on the future; get good feedback on progress; communicate with employees and provide good training.

*These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.*

# THE ARTS

## Arts Week

| F | S | Su | M | Tu | W | Th |
|---|---|---|---|---|---|---|
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |

## Music

### NEW YORK

**New York Philharmonic** (Avery Fisher Hall): Luciano Berio conducting, Katia and Marielle Labeque duo-pianos, Aldo Bennici violin. Berio, Haydn (Tue); Klaus Tennstedt conducting, Alicia de Larrocha piano. Mozart, Bruckner (Thur). Lincoln Center (874 2424)

**Basically Bach Festival**: The eighth festival covers seven events over the month, centred on performances of Musica Sacra, directed by Richard Westenburg, and ending with a concert of Bach and Handel at Avery Fisher Hall Oct 22. Central Presbyterian Church (64th & Park). (873 9546)

**Merkin Hall** (Goodman House): Bobby Short and Michael Feinstein, piano and singing recital with Jean Morries mezzo-soprano, dancers by Luigi. All Kay Swift programme (Tue); David Korevaar piano recital. Lowell Leibermann (world premiere), Schumann, Korevaar, Liszt (Wed); Boston Camerata conducted by Joel Cohen. Josquin, Cara, Tromboncino, Pesenti (Thur). W. 67th (362 8719)

**Randall Hodgkinson** (Alice Tully Hall): Piano recital. Schumann, Bartok, Beethoven, Martinu, Sessions, Ives, Cage, Liszt (Wed). Lincoln Center (362 1911)

### WASHINGTON

**National Symphony** (Concert Hall): Guenther Herbig conducting. Weber, Schubert, Beethoven (Tue); Mstislav Rostropovich conducting, Alexander Toradze piano. Walker, Rachmaninov, Dvorak (Thur). Kennedy Center (254 3776)

### LONDON

**Royal Gala Concert** with Charles Groves conducting the LSO in aid of the Save the Children Fund, with Jo Anne Pickens, soprano, Donnie Ray Albert, bass-baritone, Evelyn Glennie, percussion, and Alan Brind – winner of the BBC Young Musician of the Year 1986 – violin: Weinberger, Creston, Gershwin, Saint-Saens, Britten. Barbican Hall (Mon) (638 8891).

**Philharmonia Orchestra**, conductor Giuseppe Sinopoli, Andrew Shulman cello: Wagner, Haydn, Elgar. Royal Festival Hall (Mon) (928 3191)

**The Age of Enlightenment**, conductor Roger Norrington, Elddwen Harrhy soprano, Antony Pay clarinet, Melvyn Tan piano: Weber 200 Anniversary Concert. Elizabeth Hall (Mon)

**Hallé Orchestra**, conductor Stanislaw Skrowaczewski, Malcolm Frager piano: Beethoven, Shostakovich. Festival Hall (Tue)

**English Chamber Orchestra**, conductor Raymond Leppard, Cho-Liang Lin violin: Stravinsky, Mozart. Elizabeth Hall (Tue)

**London Philharmonic**, conductor Andrew Litton, Gordon Hunt oboe, Thomas Trotter organ: Tchaikovsky, Mozart, Saint-Saens. Festival Hall (Wed)

**Young Musicians Symphony Orchestra**, conductor James Blair, Susan McCulloch soprano: Strauss, Mahler, Festival Hall (Thur)

**New London Chamber Choir**, Endymion Ensemble, New London Percussion Ensemble conducted by James Wood: Bach, James Wood, Stravinsky. Elizabeth Hall (Thur)

**London Symphony Orchestra**, conductor Yuri Simonov, Zara Nelson cello: Mendelssohn, Tchaikovsky. Barbican Hall (Thur)

**Ronnie Scott's**, W1: (439 0747) Irakere (band from Cuba) until Oct 18.

### CHICAGO

**Chicago Symphony** (Orchestral Hall): Mark Elder conducting, Emanuel Ax piano. Elgar, Beethoven, Tippett (Thur). (435 8111)

### NETHERLANDS

**Amsterdam**, Concertgebouw. Ricardo Chailly conducts, with Jaap van Zweden, violin: Rossini, Paganini, Dvorak (Wed, Thur) (71 83 45).

**Rotterdam**, De Doelen: Frans Brüggen conducting the Royal Conservatory Symphony Orchestra. Rameau, Haydn, Beethoven, (Wed). Recital Hall: Ther Vermeer Quartet of Chicago: Beethoven, Hindemith, Dvorak (Tue) (414 29 11).

**Utrecht**, Vredenburg, Recital Hall: The Vermeer Quartet of Chicago. Arriaga, Janacek, Beethoven (Wed) (31 35 44).

**The Hague**, Congresgebouw: The Hague Philharmonic conducted by Hans Vonk, with Nelly Skolnikova, violin. Arriaga, Mendelssohn, Beethoven (Thur) (54 80 00).

**Scheveningen**, Circus Theatre. Jubilee concert by the Hague Philharmonic Orchestra and Choir conducted by Jo Ivens: Honegger, Bruckner (Tue) (55 88 00).

**Maastricht**, Schouwburg. Raphael Trio: Beethoven, Dvorak, Mendelssohn (Wed) (21 33 00).

**Nijmegen**, Vereeniging: Orlando Quartet. Haydn, Wolf, Beethoven (Mon). Gelders Orchestra conducted by Jacques Mercier, with Han de Vries, oboe. Roussel, Voormolen, Bellini, Ravel (Wed) (22 11 00).

**Eindhoven**, Globe Theatre: Weber aniversary concert by Mieke van der Sluis, soprano, Eric Hoeprich, clarinet, and Stanley Hoogland, piano (Tue) (11 11 22).

### SPAIN

**Madrid's Autumn Festival** offers guitar concert by Manuel Barrueco to music by Cimarosa, Mozart, Sor, Henze and Granados. Sala Juan de Villanueva, Prado Museum (Tue) (468 09 50)

**Madrid, Orquesta Sinfonica y Coro de RTVE** conducted by Oleg Caetani: Guridi, Grieg, Mendelssohn. Soloists Erika Schmidt-Valentin, Manfred Fink and Gilles Cachemaille. Teatro Real, Plaza Isabel 11. (Thur)

**Barcelona's International Music Festival**: Monday, La Scala Philharmonic Orchestra conducted by Carlo Maria Giulini, Brahms. Tuesday: Lieder concert by Peter Schreier (tenor), Norman Shetler piano: Beethoven, Schumann. Wed: Cracow Symphony Orchestra and Warsaw National Chorus: Penderecki's Requiem. Thu: Piano concert by Friedrich Gulda. Palau de la Musica Catalana, Amadeu Vives 1. (317 99 82).

**Madrid's Autumn Festival** premiere's in Europe 'Africanis Instructus' by Music Theatre Group, Lenon Arts Center, US. Teatro Monumental, Atocha 65. (227 12 14) (Wed to Sun).

### TOKYO

**Vienna Symphoniker**, conducted by Kurt Wöss. Viennese music. NHK Hall (Mon) (403 12 90)

**Munich Philharmoniker**, conducted by Celibidache: Schumann, Mussorgsky. Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Tue); Rossini, Richard Strauss, Brahms. Tokyo Bunka Kaikan (Wed) (571 1689; 980 6060).

**New Japan Philharmonia Orchestra**, conductors: Michiyoshi Inoue and Tadashi Otaka: oboe, Burkhard Glaetzner, trombone Vinko Globokar. Debussy, George Benjamin, Toru Takemitsu. Suntory Hall, Ark Hills, Akasaka (Wed) (505 1010)

### BRUSSELS

**Palais des Beaux Arts** (512 50 45): New York Harlem Opera Ensemble in Carmen Jones (Wed): Belgian National Orchestra conducted by Yuri Ahronovitch with Silvia Marcovici, violin: Glinka, Glazounov, Dvorak (Thur).

**Conservatoire Royale** (512 23 69): Jean Claude Vanden Eynden, piano: Beethoven, Liszt, Mussorgsky (Tue).

### VIENNA

**Vienna Hofburg Orchestra** conducted by Gert Hofbauer. Waltzes and light opera. Konzerthaus. (Tues, Thur)

**Vienna Chamber Orchestra** conducted by Philippe Entremont with Wolfgang Schulz, flute, Claudia Antonelli, harp. Mozart. Konzerthaus Mozart Saal. Matinees on Sat, Sun.

**Alban Berg Quartet** with Markus Wolf, violin. Mendelssohn, Mozart. Konzerthaus Mozart Saal (Mon, Tue).

**Delme Quartet**: Beethoven, Haydn, Schubert. Musikverein Brahms Saal (Tue).

**Flieder Trio**: Weber, Beethoven, Mozart. Musikverein Brahms Saal (Wed).

**Arturo Benedetti Michelangeli**, Piano. Chopin, Debussy, Ravel. Konzerthaus (Wed)

### PARIS

**Georges Pludermacher**, piano: Liszt. (Mon) Salle Favart (42960611).

**Orchestre Colonne**, conductor Kent Nagano, Jean-Philippe Collard soloist: Adams, Liszt, Tchaikovsky (Mon) Salle Pleyel (45610630).

**Young Franco-German Philharmonic** and Montjoie Choir, conductor Justus von Websky: Beethoven (Tue) Salle Pleyel

**Jennifer Bate**, organ: Messiaen (Tue) (45251516)

**Orchestre de Paris** conducted by Daniel Barenboim, Maurizio Pollini, piano: Xenakis, Chopin, Scriabin (Wed, Thur) Salle Pleyel

**Richard Strauss** concertos for oboe, clarinet and bassoon conducted by Lothar Zagrosek (Thur) Salle Favart.

**Odile Bailleux**, organ: Frescobaldi, Cavazzoni, de Heredia, Cabanilles (Thur) Saint-Germain-des-Pres Church (45241516)

**Festival d'Art Sacre**: Bordeaux's vocal group Arpege and the Jean-Walter Audoli Instrumental ensemble: Haydn, Lecot (Tue) Saint-Nicholas-des-Champs Church, Metro Arts et Meliers (42771883) Bible Singers conducted by Joel Leflaec (Wed). Saint-Louis-en-l'Ile Church.

### ITALY

**Milan**: Teatro alla Scala: Michi Inoue conducting flautist Roberto Fabbriciani and Tenor Keith Lewis in Benjamin Britten's Nocturne, Schoenberg's Five Orchestral Pieces, Jolivet's Concerto for Flute and Strings and Stravinsky's Symphony in Three Movements, (Fri). On Monday, the violinist Salvatore Accardo and the pianist Bruno Canino playing Richard Strauss's Sonata in D Flat Major, Stravinsky's Divertimento, and Carmen Fantasy by P. Sarasate y Navasquez. On Thursday, Wolfgang Sawallisch conducts Dvorak's Karnaval Overture, Hindemith's Mathis der Maler Symphony and Brahms's 3rd Symphony. (80 91 26)

**Milan**: Stabilimento Ansaldo (Via Tortona, 58.) La Scala Choir conducted by Giulio Bertola singing Two Choral Preludes by Bach, Mendelssohn's Humne, for soprano, choir and organ and Brahms Liebeslieder (Wed) (80 91 26)

## Opera and Ballet

### PARIS

**Don Carlos** conducted by Georges Prêtre and produced in its original version by Marco Arturo Marelli who, by choosing a sober decor, allows full play to the opera's dreams. Paris Opéra (4266 5022).

**Ariadne auf Naxos** conducted by Lothar Zagrosek with The Prima Donna Ariadne sung by Montserrat Caballe/Helene Garetti. Opéra Comique (4296 0611).

**China in the Autumn Festival Programme**: Spectacles dans une Maison de Thé. Théâtre National de Chaillot (4727 8115).

### WEST GERMANY

**Berlin**, Deutsche Oper: Cosi fan tutte with Kathlyn Martin, Ute Walter, Carol Malone, Alejandro Ramirez and Andreas Schmidt. Rigoletto with Ingvar Wixell, Angela Denning, Ryszard Karczykowski. Lisbeth Balslev takes the title role in Wieland Wagner's production of Salome. On Frederick the Great's 200th anniversary, the libretto he wrote, Montezuma, will be performed to music by Carl Heinrich Graun, produced by Herbert Wernicke. Die Meistersinger von Nürnberg rounds off the week.

**Hamburg**, Staatsoper: La clemenza di Tito stars Judith Beckmann, Doris Soffel, Werner Hollweg and Stafford Dean.

### LONDON

**English National Opera**, Coliseum: The new Mikado staged by Jonathan Miller, a 20s showbiz romp in black, grey and white, represents one of the company's more successful attempts to tackle a popular entertainment in a lively modern way. Eric Idle (as Ko-Ko), Felicity Palmer, and Richard Angas stand out in the large cast. Also in repertory: a revival of the John Cooley staging of Aida, a not very convincing attempt at ENO spectacle, with Janice Cairns, Eduardo Alvares, and Linda Finnie leading the cast; and Madam Butterfly, in Graham Vick's self-conscious over-production, with Rosamund Illing in the title role.

**Sadler's Wells**, Rosebery Avenue: The Central Ballet of China performs all week with a fascinating collection of ballets and some fine dancers.

**Royal Opera House**, Covent Garden: The Royal Ballet season is under way with a triple bill performance and the return of MacMillan's Mayerling.

### ITALY

**Florence**: Teatro Metastasio (Prato): three ballets by American dancer and choreographer, Twyla Tharp: The Glass Piece, with Mozart and Nine Sinatra Songs (Tue, Wed, Thurs). (27726)

**Bologna**: Teatro Comunale: Puccini's Tosca with Silvano Carroli, Raina Kabaivanska, and Nicola Martinucci (alternating with Gianfranco Cecchele), directed by Giancarlo Cobelli. Romano Gandolfi conducts, scenery and costumes are by Paolo Tommasi. (Fri) (22 29 99)

### NETHERLANDS

**Eindhoven**, Schouwburg. The New York Harlem Opera Ensemble with Carmen Jones conducted by William Barkhymer, Ruby Hinds in the title role (Thur) (11 11 22).

**Groningen**, Schouwburg. Hoofdstad Operette with Millöcker's Der Bettelstudent directed by Alexander Pichler and conducted by Martin Mälzer (Mon, Wed) (12 56 45)

**The Ballet USA** company on tour. Mon in Amsterdam, Carre (225 225), Wed in Rotterdam, Zuidplein Theatre (81 58 44), Thur in Groningen, Schouwburg (12 56 45).

**Scheveningen**, Circus Theatre. Julie West and her ballet company with ABC and Spatial Freeway (Mon) (55 88 00).

### SPAIN

**Barcelona**: Ballet National de Marseille Roland Petit (Mon). Le Chat Botte and (Tue), Ma Pavlova. Gran Teatre del Liceu, Sant Pau 1 (318 92 77).

### VIENNA

**Staatsoper**: Orpheus conducted by Schirmer with Jaska, Seyfried, Pongor (Fri). La Traviata conducted by Boncompagni with Snaces, Sima, Slania, Hadley (Sat). Der Fliegende Holländer conducted by Schneider with Mekler, Gonda, Hölle, Koenig (Sun, Thur). Elektra conducted by Leitner with Ludwig, Martin, Reppel, Simonida, Bence, Gonda (Mon). L'Elisir d'Amore conducted by Weikert with McLaughlin, Sima, Hadley. Pola, von Kannen (Tue). Il Barbiere de Seviglia conducted by Wewikert with Gruberova, Slania, Gonzales, von Kannen, Furlanetto, Pola (Wed). (51444/2655).

### NEW YORK

**Metropolitan Opera** (Opera House): James Levine conducts Le Nozze de Figaro in Jean-Pierre Ponnelle's production with Elisabeth Söderström, Kathleen Battle and Thomas Hampson. John Dexter's production of Aida is conducted by Nello Santi with Martina Arroyo, Grace Bumbry, and Leo Nucci. Julius Rudel conducts Manon in Gian Carlo Menotti's production with Leona Mitchell, Ermanno Mauro and Brian Schexnayder; Otto Schenk's production of Die Walküre is conducted by James Levine with Hildegard Behrens, Jeannine Altmeyer and Simon Estes. Lincoln Center (362 6000)

**New York City Opera** (NY State Theatre): The week features Anthony Davis's X (The Life and Times of Malcolm X) with libretto by Thulani Davis and story by Christopher Davis in Rhoda Davis's production conducted by Christopher Keene; as well as Don Quichotte, conducted by Mario Bernardi and directed by John Copley, and Andrei Serban's production of Norma, which features Winifred Faix Brown in the title role with Susanne Marsee as Adalgisa and Robert Grayson as Pollione, conducted by Imre Pallo; Lincoln Center (870 5600)

**Next Wave Festival** (Brooklyn Academy of Music): Social Amnesia by the Impossible Theater includes the words of Hellen Keller, Jack London, Bertolt Brecht and John Dos Passos in John Schneider's collaboration with the Impossible Theater in a kaleidoscope of images, words and music. Ends Oct 19. (718 636 4100).

### CHICAGO

**Lyric Opera**: Christof Perick conducts Pier Luigi Pizzi's production of Parsifal, a Lyric Opera premiere, with Tatiana Troyanos, Jon Vickers and Hans Sotin. The Magic Flute features Francisco Araiza as Tamino and Judith Begen as Pamina, conducted by Leonard Slatkin in August Everding's production. Michael Tilson Thomas conducts John Copley's production of La Bohème with Katia Ricciarelli as Mimi and Luis Lima as Rodolpho. (332 2244).

## Theatre

### LONDON

**La Cage Aux Folles** (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

**Dalliance** (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

**Lend Me A Tenor** (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

**When We Are Married** (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

**Noises Off** (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

**Starlight Express** (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

**42nd Street** (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

### SPAIN

**Madrid**, Autumn Festival: "Kunqu," 16th century opera of the Wanli (1573-1620) Ming Dynasty. First time in Spain with the collaboration of Paris Autumn Festival. Teatro Espanol, Principe 25. (429 6297) (Wed, Thur).

### NEW YORK

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**La Cage aux Folles** (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

**I'm Not Rappaport** (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

**Big River** (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

**The Mystery of Edwin Drood** (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

### CHICAGO

**Pump Boys and Dinettes** (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

**Galileo** (Goodman): Brian Dennehy takes the title role in Bertolt Brecht's exploration of intellectual honesty in a repressive environment under the direction of Robert Fall, who has just taken over as the Goodman's artistic director. Ends Nov 1. (443 3800).

### TOKYO

**Kabuki** (Kabuki-za): Kagamiyama Kokyo no Nishiki is a classic play about suicide and revenge among the ladies-in-waiting at the Shogun's palace. Good English programme and simultaneous commentary. Kabuki-za, Higashi Ginza (541 3131).

**Kabuki** (National Theatre): As part of the theatre's 20th anniversary Japan's most popular Kabuki play Chushingura (Revenge of the 47 Samurai) will be played in its entirety. Good English programme and simultaneous earphone commentary. National Theatre (265 7411).

**The Real Thing**: The Japanese version of Tom Stoppard's play, directed by Leon Rubin with Bungaku-za troupe starring Toru Emori, Kiwako Taichi, and others. Sunshine Theatre, Sunshine Bunka Kaikan, Sunshine City 4F, Ikebukuro (987 5281).

Continued on Page 17

# THE ARTS

## Cinema/Nigel Andrews

# A wacky regression to infantilism

**Pirates** directed by Roman Polanski
**Other halves** directed by John Laing
**Alpine Fire** directed by Fredi Murer
**Basil the Great Mouse Detective**
**Alchemy: The Surrealist Worlds of the Brothers Quay and Jan Svankmajer**

*Pirates* is a pirate film in which nobody walks the plank. This is perhaps just as well since the ceremony can be saved up for the director himself, Roman Polanski.

Alas and alack, however did things go so wrong? Polanski, realising what he claims was "a 12-year-old dream, a movie in the style of *Treasure Island*," gathered together a $25m budget, a specially built Spanish galleon (which graced the Cannes Film Festival back in May), Walter Matthau in the lead and a two-hour expenditure of fights, explosions, action stunts, exotic locations and general buccaneering hoop-la. What he failed to gather was a script. The screenplay by himself and Gerard Brach (his collaborator on *Tess*) is devoid of memorable lines, memorable events or memorable characters.

Standing squarely in the blind eye of this directionless hurricane is poor Mr Matthau. Many years age at the Ivy Restaurant, when the actor claimed to be able to mimic any accent, I affably challenged him to produce a cockney one. He did so, impeccably. He dons a cockney accent now for his role as Captain Red, the bearded brigand who boards a passing Spanish ship and ignites a mutiny thereon in order to lay hands on a priceless gold Aztec throne. (And thereby hangs the tale . . .).

Unfortunately, Matthau seems to have lost his command of cockney in the years since the Ivy. And even if he had not, I always thought that English pirates were supposed to speak with *Cornish* accents: as in "Ahaarhh, Jim lad" and other such expostulations.

Meanwhile Cap'n Red's young friend the Frog (Chris Campion) speaks with a French accent, the Spanish princess they bump into (Charlotte Lewis) speaks as if from RADA, and everyone else speaks in any accent that comes to them.

But let us not dwell on this brogues' gallery. The film gets no better when the characters forsake words for deeds. The shipboard fights are choreographed for ill-timed slapstick, zero-rated excitement and often complete confusion. (What ever is that yellow slime on the deck which everyone keeps slipping on?). When in doubt, Polanski throws in the odd rubber python or inflatable shark. And when in further doubt, he has Matthau urinate into slave-dealer Roy Kinnear's bathtub (with Kinnear in it).

Poor Polanski, suffering the pangs of Hollywood exile, seems to be seesawing between near-demented extremes these years. I described *Tess*, the last film perpetrated by the wandering Pole, as the work of a director on his best behaviour. Bland, worthy, literate, insipid, it was a good character affidavit to stand him in good stead should he ever brave the American courts. *Pirates* seems the reverse: a wacky regression to infantilism in which literacy, wit, structure, good taste and other hygienic unnecessaries are thrown firmly overboard. The result is a two-hour bunfight, full of energy without direction and knockabout assaults on everything in sight, not least the audience's patience. Whither is fled the director of *Knife in the Water*, *Repulsion* and *Chinatown*?

Walter Matthau in "Pirates"

★

New Zealand's *Other Halves* is one of those problem pictures whose big-eyed seriousness calls on one to award A for effort. A 32-year-old woman with emotional problems (Lisa Harrow) meets a 16-year-old Polynesian boy with criminal problems (Mark Pilisi) in a group therapy class in a mental hospital. Flung out thence into a new house paid for by her estranged husband, Miss Harrow takes the boy under her wing and then into her bed (and is soon skirmishing with the police as his fellow gang members also camp out under her roof).

Will she "find herself" emotionally even as she "loses" herself socially, frowned at by the Fuzz and tsk-tsked at by her former friends?

Lisa Harrow copes bravely with the main role, her pliant, pale-lipped, Nordic features suggesting an Ingmar Bergman diva gone Down Under. However, I am puzzled about several things in the film: such as why her husband thought fit to instal her in a large open-plan house with what seems to be a dinosaur skeleton hanging from the ceiling; and also why director John Laing *did* not match Miss H with a young actor more expressive, for all his bone necklaces, torn jeans and off-the-shoulder tee-shirts, than Mr Pilisi.

★

Collector's piece of the week is *Alpine Fire* by Swiss writer-director Fredi Murer. Murer's film has been shuttling around the festival circuit this year, picking up much of the spare praise left behind in the wake of the Tarkovskys, Joffes, Rohmers and their ilk.

Set on a green but vertiginous mountainside, this tale of a farming family spirals from realism to a startling apocalypse. The seasons turn; the daily tasks of haymaking and harvesting are done; and a teenage brother and sister, cut off from the outside world by a conspiracy of remote location and paernal puritanism, finally succumb to incest. All hell then breaks loose. But not suddenly; rather with a slow-burn horror that finally crisps into tragedy.

★

*Basil The Great Mouse Detective* is another new animated feature from the Disney studios that fails, alas, to revive the old magic. Set in foggy London in 1897, it concerns the eponymous Basil, who lives behind the wainscot in 221B Baker Street, home of another famous sleuth. With his friend Dr Dawson (a mouse) he sets out to destroy the evil Professor Ratigan (a rat) and to foil the Professor's plot to topple the monarch, who bears a strong resemblance to Queen Victoria but is in fact a mouse.

The supporting cast includes more mice, and three of the film's four directors have surnames beginning with M, which suggests to my suspicious mind that they might be mice too. Certainly they have created a film with somewhat tiny comic appeal and nothing at all of the pictorial splendour of old Disney.

★

Animation more startling is to be found at the ICA, in a season titled "Alchemy!: the Surrealist Worlds of the Brothers Quay and Jan Svankmajer." Here frightening things happen. Cartoonery and modelwork are delivered into the hands of a Czech fantasist with a fondness for *grand guignol* and two British-resident twins from Eastern Europe who set their superb nightmare fables in sinister London streets tenements. Mechanical objects rustle into life; tram lights flicker out a menacing visual tattoo on the walls; dolls houses contain unspeakable secrets.

In a world today whose animation-lovers mostly prefer *Thunderbirds* or the *Muppets*—or the more extrovert nastiness of *Spitting Image* — work like this is rarely seen and rarely sung. But once seen it is never forgotten. And once sung by a few converts, perhaps the song will get around.

★

Hal Wallis, one of the great Hollywood producers, died yesterday aged 87. What can one say about a man who helped to bring forth *Little Caesar*, *A Midsummer Night's Dream*, *Jezebel*, *Dark Victory*, *The Maltese Falcon*, *Now Voyager* and *Casablanca* except that the world owed him a living and now owes him great gratitude and respect after his death? They do not make films like that any more; and probably they do not make such producers, either.

Scene from "Galanteries" Alastair Muir

## The Royal Ballet/Covent Garden

### Clement Crisp

The Royal Ballet's autumn season opened on Wednesday with a quadruple bill. We welcome, first of all, the return of Ashton's realisation of *La Valse* after several years absence, albeit the Levasseur designs give the pieces an over-upholstered look which accords neither with the vertiginous whirl of Ravel's score (rather too dutifully played by the orchestra under Isaiah Jackson) nor with the intricacies of Ashton's choreography.

The pattern of the dance would, I suspect, now be better served by being seen on a stage clear to the cyclorama so that Ashton's complex tracery of ideas could be more cleanly appreciated. And as a fashion note, I feel that the three leading women's dresses need to be re-studied: they are too blatant in colour and do not reflect the nuance of movement given to their wearers.

Colour is at a premium in David Bintley's *Galanteries*, receiving its Opera House première after its first performance this summer at the Vancouver Expo '86. It is set to two Mozart scores—the Serenade K101 (which is a suite of *contredanses*) and the Divertimento K205—and is a succession of plotless entries for four principal couples and four attendant women. It is neat, pleasantly made, but for unfathomable reasons is set, by Jan Blake, as an exercise in grey on grey. The costumes are almost aggressively Puritan in cut, and they are seen against a backdrop like a spectral cross-word puzzle bisected by two slashing curves.

The effect is somehow lowering to the spirits, and the dance has a sentimental air, offering daintiness and gentle charm in slightly wearisome good taste. The result is anodyne, though there are sprightly sections for the various soloists, among whom Fiona Chadwick shines by the beautiful ease of her technique.

The other novelty of the evening is the Royal Ballet's acquisition of Jerome Robbins' *Opus 19/The Dreamer*, which uses Prokofiev's first violin concerto for a study in the imaginary world of a central male figure. Made for Mikhail Baryshnikov with the New York City Ballet, it was seen here during that company's 1979 London season. With Jonathan Cope now the hero, and Cynthia Harvey in Patricia McBride's created role, it lacks an essential emotional focus which might rescue the choreography from seeming inconclusive: the yearnings and agitations of the leading figures do not, as yet, compel attention.

Happily the revival of *The Concert* which follows leaves no doubt about feelings or the agitations which beset its wild assemblage of music lovers. Jennifer Penney is adorably scatty as the woman who suffers most from being out-hatted, or left with an extra hand, or being pursued by Michael Coleman's antic Groucho-figure, and Marguerite Porter is the menacing (and menaced) matron. It remains a comic triumph, and has been tartly and excellently rehearsed.

## Misalliance/Barbican

### Michael Coveney

The great objection to Shaw's 1910 static discussion play about parents and children is that it goes nowhere slowly, grinding to an inconclusive halt on the Surrey hillside of John Tarleton's residence recently invaded by a Polish aviatrix, a homicidal clerk and the representative members of a foreign office family more accustomed to cumbing the restless natives than educating their offspring.

But modern theatre habits, fed on plotlessness and amorality, can protect us from these objections; the great virtue of John Caird's extremely handsome and scrupulous revival for the RSC is that we can accept the ritual of debate while indulging the silliness of the incidents and opinions. Tarleton is the underwear magnate whose daughter Hypatia is aroused from a languid betrothal to Lord Summerhays's fatuous son by a man with three fathers who drops out of the sky accompanied by the Polish adventuress.

This free-spirited heroine, played with an emphatically husky accent by Jane Lapotaire in brown leather, charms all the men and excites Hypatia. Even Shaw's staunchest advocates had difficulties running up a flag for a piece Desmond MacCarthy viewed as a dry run for *Heartbreak House*. But Tarleton is not a governing mystic like Shotover; Brian Cox, with the just application of his whiplash Celtic delivery, presents a Leeds merchant buffeted by a curious set of circumstances requiring his opinions on marriage without love, natural selection, education, and workers' rights.

"Rome fell. Babylon fell. Hindhead's turn will come" spews the beetroot-complexioned avenging clerk of Mick Ford, conveying the whole bottled resentment of the clerical workforce whose personified morality (housed by chance in a portable Turkish bath) witnesses Hypatia (Caroline Goodall) chasing her Percival through the Surrey bracken. Shock in a different regional style is registered by Elizabeth Spriggs's magisterially mauve Mrs Tarleton, a woman who has brushed with marchionesses and felt much better for the experience, thank you.

This is the point about the play. For once, Shaw's talking heads are allowed, quite literally, to talk themselves out. It is an intriguing, occasionally exhausting spectacle, but it is novel and unlike any other of his socially cemented dramas. The one genuinely disruptive event (apart from the clerk's aborted assassination attempt) is the monoplane's crash into Tarleton's vinery. Mr Caird and his designer Roger Butlin bring this incident, thrillingly, into full view, bang in the middle of darkening skies and the magnificent skeletal conservatory wreath with busts (of Shaw, Shakespeare and, could it be, Sophocles) and large potted fronds. Even old Summerhays (Joseph O'Conor) is smitten by the new woman, but all folly is traced to prior peccadilloes. The clerk's cry of "I am the son of Lucinda Titmuss" has special repercussions, and so it should have.

The RSC hopes to revive its dismal Barbican fortunes of this summer with this revival and if any "debate in one sitting" (one interval injected between the Pole and the clerk) can do it, this deserves to. In a good cast, RSC newcomer Richard McCabe as the gauche and fawning Bentley, a near ringer for Griff Rhy Jones, catches the eye and rescues an impossible part.

## Lutoslawski/Festival Hall

### Max Loppert

At the start of the second half of Wednesday's Royal Philharmonic Society concert (the first of its current season), Michael Tippett presented Witold Lutoslawski with the society's Gold Medal; immediately after that, the senior Polish composer conducted the Philharmonia in a reading of his Third Symphony (1983). The succession of events could not have been more happily organised—a presentation by one notable medallist-composer to another, in the society's best tradition; and then the performance of a work that demonstrated, better than any mere medal can, just why its latest recipient was so fitly honoured.

The symphony is a mature work by a master composer at the peak of his powers. A second hearing after a long interval (I had not encountered the symphony since its British premiere, two and a half years ago) proved all the more exciting for the gap:

From the plainest musical materials, and with a pleasure-giving appetite for the exploration of those materials, Lutoslawski has created a genuine, and indeed water-tight, stretch of modern symphonic argument. In the beginning, after the opening four-note figure has been sounded—the motto that constitutes the work's structural *rappel à l'ordre*—one wonders how on earth the composer is going to make all the various little flickers of material add up into a symphony. By the end, as every component part is re-assembled for that elating series of decorated unisons rising glowingly out of the depths, one is in no doubt that the feat has been achieved. The symphony is neat; but that is only part of its attraction.

For the sheer sound of the piece is a pleasure of a quite dazzling kind — a "concerto for orchestra" symphony of luminous textures sometimes fiercely interrupted and then singingly collated. Lutoslawski conducts his own music with economical exactitude, and the Philharmonia played it with splendid colour and vivacity. In the first half, another composer with significant RPS connections, Beethoven, had had a rather less happy time of it. Under James Loughran the orchestra delivered an untidy account of the *Consecration of the House* Overture, and then provided stodgy accompaniment to Jorge Bolet in the *Emperor*. On a good day, Bolet's Beethoven concerto playing must be mightily impressive. This was not, alas, one of those good days.

## A Whistle in the Dark/Abbey Theatre, Dublin

### Michael Coveney

Apart from the McGuinness Caravaggio play, continuing at the Gate, the main attraction this week at the Dublin Theatre Festival was a revival at the Abbey Theatre of Tom Murphy's 1962 play about Irish immigrants in Coventry, *A Whistle in the Dark*. This was a stark, strong and memorable occasion, as important a re-evaluation of a major dramatist's early work as the recent Royal Court revival of Bond's *Pope's Wedding*.

After the dense intricacies and poetic broodiness of *The Gigli Concert* and *Bailegangaire*, it is a considerable, and refreshing, shock to encounter this clenched fist of a play, a violent and traumatic study of the tribal rituals of a Mayo bunch of boys, the Carneys, ruled by their imperious Dada. Dada has come to Coventry with the youngest son, Des, to find him work. They, and three other sons already working on roads and in the underworld, have descended on the home of Michael Carney and his English wife Betty.

National identity has been a theme in the contemporary Irish drama common to Murphy, Friel and McGuinness. Nothing has been so brutish and direct, though, as this picture of Irishmen "over here" asserting themselves in one of England's post-war dream cities. Here is the lacerating crudity of O'Neill, but with bottles, punches and running blood. Michael, played with a coruscating disgust and lilting resignation by Dermot Crowley, wants to break the ties. But Dada will jeer at him for owning a house, will remove his belt and send him to bed propped up between his brothers.

The play veers between shocking realism and an overheated theatrical starkness, an oscillation perfectly judged in Garry Hynes's brilliant production. The vintage focus of the action is the Wild West showdown with the Mulryan tribe (nothing like sectarian dispute comes into play) and when the lads return elated, bloody and allegedly victorious, Dada excuses his absence from the fray with a tall story worthy of Falstaff's Gads Hill alibi in the Boar's Head.

Godfrey Quigley, urging the distraught Betty (Cathrine Byrne) to cross her bridges when they come to her, is a terrifying Big Dada, taking the last section of the play into the classical, sculptured dimension implicit in Brien Vahey's predominantly grey setting and costumes. The closing minutes are ugly and draining to the point of catharsis. Another bad PR job for the close-knit Irish Catholic family unit; and an imaginative report on the post-war immigrant labour wave.

With this Abbey success, Miss Hinds, founding director of the Druid touring company, is thought to have become a contender for the still vacant Abbey artistic directorship. Michael Colgan's regime at the Gate has stolen the initiative away from the Abbey. Patrick Mason's production of *The Great Hunger*, returning to the Abbey on October 20, and this important Murphy revival suggest that there is still some life in the old dog of a place yet.

With McGuinness at the Gate, Murphy at the Abbey and box office returns more than healthy this Dublin Festival is already estimated to be a success and to prove another sort of catholic strength, there have been crowd-pleasing Irish premières this week of Neil Simon's *Brighton Beach Memoirs* at the Gaiety and the Simon/Marvin Hamlisch musical *They're Playing Our Song* at the Olympia.

Those productions, as well as *Innocence* at the Gate and *A Whistle in the Dark* at the Abbey, continue their runs after the festival ends tomorrow.

## Simon Boccanegra/Glyndebourne

### Ronald Crichton

Glyndebourne Touring Opera opens the autumn tour as usual in the home theatre. This year, they play there for two weeks, giving, with the aid of a cluster of local sponsors, including East Sussex County Council, "a local festival for local people." East Sussex was rewarded on Wednesday night with an excellent performance of Verdi's *Simon Boccanegra*. I did not see Peter Hall's production when it was new in the summer, but noticed a certain reserve in the reactions of some who did.

In the capable hands of Stephen Lawless and Graeme Jenkins, now respectively director of production and musical director to the touring company, it comes up as genuine Glyndebourne ensemble work on a level GTO has not always reached in recent years. There is excellent playing by the Bournemouth Sinfonietta (the sound on Wednesday in this capricious house was a treat) and stalwart work from the chorus.

In a way, past neglect of *Boccanegra* has worked to the opera's advantage. The normal accumulated mass of tradition and old recordings does not exist. One can hardly refer a modern Simon or Amelia or Adorno to Bassistini, Melba, or Caruso—though, in truth, the roles deserve singers of that calibre. They, and the bass Fiesco, are daunting assignments. On the required level GTO meets the challenge encouragingly well.

Malcolm Donnelli's corsair-turned-Doge of Genoa is a credible figure. The voice has gained flesh and colour. This reliable performer is now something more. A similar development marks the Fiesco of Geoffrey Moses—one wants, perhaps a little more baleful cragginess in the later scenes. Keith Erwen brings overflowing commitment to the tenor, Gabriele Adorno, always awkward because the character so often falls on the wrong side of the fence. Some may find the Amelia of Marie Slorach a little hard and strident. I welcome the forthright way this able soprano sings the difficult music without pecking or fudging. The villain, Paolo, of Christopher Thornton-Holmes is an intelligent reading of a tricky role.

Even the enemies of surtitles must admit that there is justification for them in *Boccanegra* to help innocent spectators through the obscurities of this plot. The production does not always help—the great council-chamber scene, with the action pushed too far forward, much resonance lost and the principals disappearing from view in the swirling mass of swords and cloaks, is something of a disappointment. The general standard, though, is well above what one might expect in a touring production of this opera. Oxford, Plymouth, Norwich and Manchester, take note.

Continued from Page 16

## Exhibitions

### ITALY

**Venice:** Museo Correr (Ala Napoleonica): Le Corbusier: painter and sculptor: Over 200 of his lesser-known works, including sculpture, watercolours, pencil drawings and collages by the great French/Swiss architect. Le Corbusier loved Venice and visited the city frequently. The exhibition includes his project for the Ospedale a San Giobbe, in Venice, designed during the last year of his life (1965). Ends Oct 30.

**Rome:** Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

**Venice:** Fondazione Cini, Isola di S. Giorgio: Views of Dresden: Bernardo Bellotto – (1720-1780): twenty paintings and several engravings by a painter who follows Canaletto and Guardi as a close third in the league of Venetian landscape artists. All the works have been lent by the Dresden Museum. Until November 9th.

### PARIS

**Francois Boucher:** the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and Shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lighthearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4260 5410).

**Brueghel dynasty:** the blend of crude realism and poetic vision proper to the Golden Age of Flemish painting is shown in the confrontation of the two Brueghel brothers, Pieter the Younger and Jan the Elder. Galerie d'Art St. Honoré, 267, Rue Saint Honoré (4260 1503).

### WEST GERMANY

**Essen:** Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesi and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.

**Stuttgart,** Württembergischer Kunstverein: Artists in Germany from 1900 to 1945 represented with 200 pictures and sculptures. Ends Nov 9.

**München,** Neue Pinakothek: King Ludwig I as a collector: A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 23.

**Frankfurt,** Schirn Kunsthalle und Kunstverein: Prospect 86. This exhibition shows the turning away from expressionism with 100 artists from Europe and the US represented. All works were done this year and include artists such as Rob Scholte, Salvo, Donald Baechler, Christa Näher, Miquel Barcelo, Anthony Gormley and Luigi Stoisa. Ends Nov 2.

### LONDON

**The Royal Academy:** Je Suis le Cahier – the Sketchbooks of Picasso. It is in an artist's sketchbooks and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no reason to think anyone will see his work, he is free to observe and work on variations upon his theme entirely as he chooses. When the artist is a very great one the creative discovery is quite simply enthralling. Picasso left some 175 sketchbooks from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it contains work from 45 of the books. Ends Nov 19.

### NETHERLANDS

**Laren,** Singer Museum: The traditional Autumn Flora exhibition, a combination of visual arts and flower arrangements, takes the theme of the circus with works by Karel Appel, Leo Gestel, Michael Parkes and many others. Ends Oct 19.

**Amsterdam,** Stedelijk Museum. Photographic retrospective of Gordon Matta-Clark's 'architectural sculpture' from 1968-78. Ends Oct 22.

**Haarlem,** Frans Hals Museum. In Search of the Golden Age comprises 70 paintings, watercolours and drawings from 1800-1850. Ends Nov 30.

**Amsterdam,** Historical Museum. The Taste of the Elite focuses on Amsterdam's rich merchant class and its influence on art and culture as part of the celebration of the 16th century currently taking place in seven Dutch museums. Ends Dec 7.

**The Hague,** Museon. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century "Irish Odysseus", are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends October 26.

**Zutphen,** Stedelijk Museum. An exhibition commemorating Sir Philip Sidney, the "flower of English chivalry", who died 400 years ago attempting to liberate Zutphen from the Spanish. Ends November 9.

**Eindhoven,** Van Abbe Museum. Currently drawing a record number of visitors to the 50th anniversary 'Eye level' exhibition of its entire collection. The 1,500 works read like a roll-call of modern art, from Chagall, Kandinsky, Braque and Picasso to Klein, LeWitt, Baselitz and Kiefer. Ends Nov 9.

**Amsterdam,** Tropenmuseum. The Human Story charts evolution from the origin of the universe, through the age of the dinosaurs and the appearance of the first primates, up to the present day. Video programmes, life-size reconstructions of early hominids (including Leakey's famous 'Lucy') and touch-screen displays illustrate this detailed story of mankind previously seen at the Commonwealth Institute. With an introductory section on the theory that a meteorite impact 64 million years ago led to the extinction of the dinosaurs and cleared the way for the birds and mammals. Ends Oct 19.

**Amsterdam,** Van Gogh Museum: Gauguin and his Circle. 85 prints by artists who gathered round Gauguin in the Breton village of Pont-Aven. Ends Oct 20.

**The Hague,** Gemeentemuseum: a display of 50 pieces of modern glass from the museum's collection. Ends Nov 9.

### VIENNA

**Dian** – a submerged kingdom of China: According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual and spectacular gilded bronzes were discovered only 30 years ago in Dian burial grounds. Exhibits include dramatic groups of men and animals, showing scenes of war, dance and celebration. Also on show are weapons, tools, musical instruments, agricultural and weaving equipment, bronze drums and jewel boxes from what must have been a vigorous culture. Museum of Mankind, Neue Hofburg. Ends Nov 23.

### NEW YORK

**Museum of the City of New York:** Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

**Museum of Modern Art:** Vienna 1900, including 700 paintings, designs and objects, covers silverware, jewellery, furniture and ceramics, with the Secessionists like Klimt and his Golden Style, as well as Kokoschka and Schiele in a comprehensive exhibit that illuminates the birth of modernism. Ends Oct 21.

**Cooper Hewitt Museum:** Hollywood, Legend and Reality celebrates the history of America's greatest popular culture in all its excesses and intimacies through the various crafts like production, direction, editing and special effects. Ends Oct 25.

**Bravo Carnegie Hall:** While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

**International Center of Photography:** David Hockney's photo collage show, called A Wider Perspective, consists of vistas captured in serial photographs put together with playfulness by the artist. Three films of interviews are also on view. Ends Nov 9.

### WASHINGTON

**National Gallery:** Viennese Renaissance sculpture from the Kunsthistoriches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

**Hirshhorn Museum:** More than 130 paintings, sculptures and drawings from a 5,300 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Illem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 16.

### CHICAGO

**Chicago Historical Society:** Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

**Art Institute:** Ten centuries of Hungarian goldsmithing is displayed in a visiting exhibit of 69 pieces covering religious and secular commissions including medieval and renaissance chalices, cibrial, monstrances and reliquaries as well as suites of jewellery. Ends Nov 7.

## Saleroom

Greece may not be getting back the Elgin Marbles yet but the Greek Embassy turned up at Sotheby's yesterday to pay £19,800 for a gold laurel wreath made by Falize around 1920 and given by the Greek people to their Prime Minister Venizelon.

The jewels sale was a tremendous success, with the morning session totalling almost £1.2m, and just 1.9 per cent unsold. Diamonds are obviously back in fashion with a diamond sautoir of 1925 by Van Cleef and Arpels trebling its forecast at £94,600. A Cartier ruby and diamond ring doubled its top estimate at £110,000.

A chasuble of the 15th century, made in England and for many years at Sawston Hall in Cambridgeshire, sold for £9,900 (within estimate) at Christie's South Kensington on Wednesday afternoon. It was bought by the furniture dealer Jonathan Harris and had been sold by a Roman Catholic priest connected with the Huddleston family of Sawston.

A.T.

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# High Noon in Reykjavik

THE REST of the world is setting great store by this week's pre-summit meeting in Reykjavik in the hope that it will break the logjam in the arms control negotiations between the super-powers and thus lead to an easing of international tension.

But it is not at all clear that the two leaders have embarked on the encounter with a common objective in mind, or have set themselves a compatible agenda for their discussions. The rest of the world would be wise not to count too much on Reykjavik providing a solution, or even the promise of a solution, to its problems.

The major ground for optimism is that Mr Mikhail Gorbachev is manifestly anxious to secure, and may be prepared to go to considerable lengths to engineer, a durable improvement in the international atmosphere, starting with a reduction in the tension between the Soviet Union and the US. Such an easing of tension, he has repeatedly made plain, is necessary for the Soviet Union, in order to permit a curb on defence spending and a transfer of resources into the civil sector of the Soviet economy. For exactly the same reason, he has repeatedly argued that the only purpose of summit meetings is to reach agreement on specific issues, notably in the field of arms control.

*Particular attention*

President Reagan's fundamental position appears more ambivalent. In recent years he has abandoned his violently anti-Soviet rhetoric, though there seems little reason to suppose that his hostility to the world's leading Communist state has in any way abated. He seems reasonably content with an atmospheric improvement in relations with the Soviet Union; but where the military security of the US is concerned, it is not yet clear that he trusts the Russians enough to sign any arms control agreement with them. It may suit his domestic political book to soothe the anti-nuclear lobby by appearing at an amiable media event with Mr Gorbachev; it may not suit his domestic political book to risk accusations, from his critics on the hard right, that he is jeopardising America's security.

This ambivalence is reflected in some of the briefing which has emerged from the two capitals. In Moscow, it is being reiterated that the purpose of this meeting is to reach agreements, with two candidates singled out for particular attention: an interim agreement on Euro-missiles, and a nuclear test ban agreement. In Washington there is the usual babel of contradictory voices; but the most authoritative tone has been struck by the State Department, with a warning not to expect that this meeting will necessarily reach any agreements, even on the date of the next full-dress summit in Washington.

The Russians are certainly overstating their case. This weekend's meeting was fixed at extremely short notice; if it is to produce agreements which are both substantive and equitable, it can only do so on issues where there is already a broad measure of agreement in principle, and where the outstanding issues are very simple. The Russians know that President Reagan will not sign a nuclear test ban agreement; America's European allies will hope that he does not rush to sign a Euromissile agreement, for fear that he concedes too much.

*Unsolved problems*

He will not sign a nuclear test ban agreement because he believes that nuclear testing is necessary; necessary, among other things, for the development of a nuclear-powered X-ray laser as part of a space-based Star Wars system. There might be more hope of progress if Mr Gorbachev were to start by seeking improved verification methods, so as to agree tighter curbs on testing limits.

The centrepiece of a Euromissile agreement, for 100 warheads on each side, may be within grasp. But there are serious unsolved problems: what to do about the Soviet missiles in Asia, and what to do about the short-range missiles in Europe. President Reagan is not an expert, and a rushed agreement might not be a good agreement.

American warnings that Reykjavik may not produce concrete agreements, could be simple prudence; it is as well not to raise expectations too high. But if US officials seriously believe that this weekend's meeting may not even fix the date of the next summit in Washington, they are indirectly warning that the encounter in Reykjavik may produce so little agreement as to risk being written off by Mr Gorbachev as a failure. That in itself is a measure of the stakes which hang on Reykjavik.

# Power transfer in Israel

ISRAEL'S GOVERNMENT of National Unity has defied most expert predictions, the odds of the bookmakers and probably the expectations of most of its members — it has survived for two years. Today, Mr Shimon Peres resigns as Prime Minister to make way for Mr Yitzhak Shamir, Foreign Minister, for the second half of the Government's life.

Mr Peres steps aside, having enhanced both his personal reputation and that of the Labour Party which now enjoys a considerable lead over Likud in the public opinion polls. The Labour leader can claim with justification that he has gone a long way towards achieving some of the goals he set himself on taking office.

Most notably, he has restored order to the economy and sharply reduced the banana-republic levels of inflation which he inherited. It is far more doubtful whether he has done enough to cure the economy's structural weakness. The Israeli economy will continue to require constant and sensitive nursing if its recovery is to prove durable.

Mr Peres also largely fulfilled his pledge to get the troops out of Lebanon in the wake of the disastrous 1982 invasion. It is regrettable that he has not completed the withdrawal, in spite of repeated international appeals for UN troops to be allowed to exercise their mandate by patrolling up to the international border.

On the peace process, Mr Peres has less to show, but at least his style and statements have helped to create an atmosphere in which it is possible to believe that Israel is willing to enter negotiations with an implied willingness to compromise.

*Sound policies*

These factors have all assisted Israel to recover much of the international goodwill it sacrificed during 1982 and 1983. The challenge for Mr Shamir is whether he can maintain the momentum while building on the other achievements of the Government of which he is a member.

Given Mr Shamir's track record it is difficult to be optimistic. He represents the hard-line, nationalistic concept of Zionism. He sees no reason to soften the presentation of his views even when dealing with Western allies. Mr Shamir voted against the peace treaty with Egypt and is fundamentally opposed to any territorial compromise, even if that would offer the chance of peace with Arab neighbours. In short, he cannot accept that Israel would relinquish any part of the West Bank, captured in the 1967 war.

Such views may make it difficult for Mr Shamir to continue the restraint on military spending and the settlement building programme in the occupied territories exercised by Mr Peres. The previous brief premiership of Mr Shamir, following the resignation of Mr Menahem Begin in 1983, showed that his political and ideological commitments tend to take precedence over sound economic policies.

However, Mr Shamir is not going to be allowed much room in which to manoeuvre. He needs time to establish himself as Prime Minister. This will be denied him if he rocks the coalition boat too vigorously.

*Apprehensive mood*

Given the current state of the opinion polls, Mr Shamir will be extremely anxious to avoid being forced into an election at a time not of his choosing, an option which Mr Peres will enjoy throughout the next two years.

For the rest of the world, in particular the US, Mr Shamir is going to prove a more abrasive leader than his predecessor. The extent to which this is an issue could in large part depend on political development in the Middle East. The increase in international political violence, the tensions caused by the recession in several Arab countries and the absence of any structured peace efforts — all these are contributing to the mood of apprehension in the region.

Mutual provocations are sure to abound in the months ahead, making it even more vital that the US and Western Europe maintain clear lines of communication with Mr Shamir. They may not have wanted him to take over, but from next week he is the man with whom they will have to deal.

## The Summit

# Why Mr Reagan needs to move the ball forward

By Stewart Fleming, US Editor, in Reykjavik

Reagan: a message for the US as well as for the Soviet Union.

WHEN President Reagan and Mr Gorbachev sit down in Reykjavik tomorrow, their meeting will be a summit in all but name. The stakes if anything are higher than they were when the superpower leaders talked around a fireside in Geneva 11 months ago.

Then the two men were sizing each other up. Now, after almost a year of spasmodic negotiations and preparations among their officials, the preliminaries are over. Repeated official suggestions that what that have in mind for Reykjavik is of modest significance is a smokescreen to protect negotiating positions and political prestige at home in the event of failure.

A successful "pre-summit summit" will lend new momentum to the incremental process of improving US-Soviet relations. This is what Mr Shultz means when he says that, although Washington does not expect any firm, signed and sealed agreement in Reykjavik, he does hope to "move the ball forward."

Conversely, were Mr Reagan to come away from Reykjavik emptyhanded, he could expect little sympathy from moderate critics who have long argued that he has failed to understand until it is too late the importance of negotiating with Moscow. Conservatives, too — dismayed at the way the White House resolved the case of Nicholas Daniloff, the US journalist accused of spying, and disillusioned by Mr Reagan's decision to seek an arms control agreement—are turning on their erstwhile cold war hero. "The Administrations' foreign policy has been to kiss the Russian bear's bottom and he keeps turning the other cheek," Mr Howard Phillips, chairman of one important lobbying group, the Conservative Caucus, said recently.

Whatever the other after-effects from the shock of failure at Reykjavik, one thing is sure: it would be next to impossible in the relatively brief period Mr Reagan has left in office to get the arms control talks back on track.

So what has induced Mr Reagan, who not so very long ago described the Soviet Union as an "evil empire" whose leaders are liars and cheats, to make the journey to Reykjavik, and this just three weeks before Congress's mid-term elections, and on the rebound from the messy Daniloff affair?

Many experts in Soviet-American relations in Washington, both academics and diplomats, are convinced that from his early days in the White House Mr Reagan saw the possibility of a deal with Moscow as something he would want to entertain later. "The President was always ready to do business with the Soviet Union once he . . . felt he had some chips on the table," says Helmut Sonnenfeldt, a scholar at the Brookings Institution.

According to this view, Mr Reagan's priorities in his first Administration were to revive the US economy and so secure the huge military build-up to which he was committed. Ironically, it is the repercussions from the policies he adopted in pursuit of these goals which are now seen to be causing Mr Reagan to put at risk some of his chips.

Washington debates incessently whether Mr Reagan or Mr Gorbachev needs a summit and an arms control agreement more. Not surprisingly, the conclusion most often reached is that the pressures on Moscow are the greater. Mr Gorbachev, so the argument runs, in part because of domestic economic problems, needs to avoid another twist in the arms race involving "high frontier" space defences such as those envisaged in Mr Reagan's "star wars" Strategic Defence Initiative.

But this tends to ignore the fact that the US economy is also

**Russia's leaders —like America's— have their economic worries**

creaking under the burden of the Reagan Administration's defence build-up and the ill-judged policies adopted to try to finance it.

An analysis of the longer-term budget implications of defence strategy prepared by Mr Timothy Stanley for the Atlantic Council and the International Economic Studies Institute says: "The conclusion, starkly stated, is that under the most realistic political assessment of Congressional willingness to fund defence priorities, and the most realistic economic scenarios, the US cannot get from here to where it wants to go in its national strategy and force posture."

Equally, there is a growing perception that the military build-up, while it may have strengthened America's strategic defences (although this too is questioned by those who argue that the Defence Secretary has been spending too much money on the wrong things) has done so at the cost of huge budget deficits which have weakened the economy.

Congressional concerns on both these scores are being registered in unmistakable tones. If there are signs that the Federal budget deficit is no longer out of control, it is only because of what Treasury Secretary James Baker describes as "the tremendous hit" the defence budget took in 1986 in Congress. For 1987 too, Congress is granting the President far less in new defence funds than he wanted.

More significant, Capitol Hill, always wary about infringing the President's foreign policy prerogatives, has moved in recent weeks to restrain the White House's ability to fund the star wars programme, to carry out its threat of repudiating the Salt II arms limitation agreement, and to continue with nuclear testing.

Washington's judgment on the defence budge is, opinion polls show, shared by the average American, who increasingly questions why, after the biggest peacetime defence build-up, the White House says that even larger defence budgets are needed. As one observer of Capitol Hill puts it in analysing the public mood on budget priorities: "When it comes to a choice between national security and social security, bet on social security."

These question marks over the defence budget have weakened Defence Secretary Caspar Weinberger and Assistant Secretary Richard Perle, the man recognised as the Administration's most articulate and effective opponent of arms control.

Simultaneously Mr George Shultz, the Secretary of State, is seen to have gained in influence. Mr Shultz misses no opportunity to echo his President's firm line towards Moscow and is explicit about his support for the Strategic Defence Initiative. But he believes arms control should be an element in the *modus vivendi* the US must work out with Moscow. And as a former Treasury Secretary he is well aware of the uncertainty over the American economy.

Mr Shultz's influence has grown as a result of the breadth of the agenda Washington has been insisting on for the US-Soviet dialogue. It includes human rights and regional issues that fall naturally within the State Department's sphere of operations.

The lack of strong leadership at the top of the National Security Council since Mr Robert McFarlane left last December may also have helped to bolster Mr Shultz's position.

Paradoxically, the Daniloff crisis probably helped Mr Shultz short-circuit bureaucratic opposition to an early pre-summit summit. It resulted in several days of intense negotiations with Soviet Foreign Minister Eduard Shevardnadze, during which both men were able to focus on broader issues as they sought to resolve the Daniloff affair.

As Mr Reagan indicated in his speech in Glassboro in the summer, the fact that Moscow is seen to have made some potentially significant changes in its negotiating positions will also have helped Mr Shultz to argue that the Administration should take the opportunity to try to find out how real are the chances of making progress.

It is hard, too, not to suspect that one thought behind the agreement to an Iceland mini-summit was the hope that if the talks go well it might help (and certainly will not harm) the Republican Party's chances at the mid-term elections in November.

Taking a longer-term perspective, Mr Reagan knows all too well from opinion polls that while most Americans seem to share his jaundiced view of Moscow's motives, they do not approve of the reluctance he displayed, in the first weeks of his Administration, to engage in superpower negotiations.

So Mr Reagan must consistently demonstrate that he is indeed, as he likes to say, ready "to go the extra mile" to try to reach an accommodation with Moscow and so to try to saddle Mr Gorbachev with the responsibility for any new deterioration in relations.

His allies too, particularly those conservatives in Europe who have staunchly supported him, have a vested interest in this approach.

Much, probably too much, is made in Washington of the idea that Mr Reagan (or at least his wife Nancy) has his eye on the history books. What can be asserted with rather more confidence is that a convincing agenda of US-Soviet negotiations would help him to defer the "lame duck" status which eventually overtakes a President particularly when he faces a Congress which, judging by the vote to override his veto on South African sanctions, is becoming less intimidated by Mr Reagan's Presidential authority.

Among Mr Reagan's strengths is that no one outside his closest circle of advisers knows how far he is prepared to go to reach an agreement with Russia on arms control. Both sides have signalled that an agreement on intermediate missiles in Europe is on the not-too-distant horizon and if the weekend talks go well some outline agreement could be signed at the real summit which could follow in Washington.

But on what Mr Shultz calls "the real pay dirt"—which in US eyes is reducing long-range strategic missiles, and for the Soviet Union means at least curbing the Strategic Defence Initiative—progress is said by US officials to be limited, and Mr Reagan is apparently obdurate in his insistence that strategic defences will help stabilise deterrence.

One thing is sure, however, and that is that Mr Gorbachev knows the window of opportunity for an arms agreement is closing fast. It will be closed at the latest by the time the 1988 election campaign hits top gear in late spring 1988.

One thing Mr Reagan is trying to urge on Moscow is that progress on human rights is essential to help build a coalition on Capitol Hill for any agreement he might reach. He has to reassure sceptical conservatives that he is not about to "give away the store." "It will be a cold day in Hades when I go soft on Communism,' he boasted last week.

The future of the Reagan Administration's efforts to improve US-Soviet relations significantly is thus in the balance. A chilly weekend in a haunted house in Iceland will determine which way the scales tip.

# Men and Matters

## The wisdom of Salomon

"Dr Doom" is demoted in shake-up at Salomon" ran one US newspaper headline yesterday following the surprise news that Dr Henry Kaufman, one of Wall Street's leading economic gurus, was resigning from the board and the vice-chairmanship of Salomon Inc, the parent of the New York investment banking and commodity trading giant.

Despite a rather spotty record on forecasting where US interest rates are heading, Kaufman, along with First Boston's Dr Albert Wojnilower, is still one of the very few people on Wall Street who can occasionally move the markets with their prognostications. So any suggestion that one of Salomon's biggest assets was heading for the exit was being quickly denied.

Kaufman has been travelling in Europe this week—he is due to address 200 clients at London's Savoy Hotel today—and has yet to tell his side of the story. But the official line at Salomon is that the 59-year-old economist, who has been a vice-chairman since 1984, is anxious to devote his full-time energies to running the firm's 350-strong research department, the largest of its kind.

In many respects this would mirror a similar move by First Boston's Wojnilower who recently removed himself from active day-to-day management of the firm.

Salomon stresses that Kaufman will continue to play a very active role in the firm and retains his seat on the executive committee of Salomon Bros, the investment bank. The change is just one of a series of moves intended to place more executive power in the hands of the group's younger managers.

Tom Strauss, 44, has been elected to join the new post of president of Salomon Bros and is being joined by two new vice-chairmen, Lewis Ranieri, 39, and William Voute, 48. The board of directors has been reduced from more than 100 to 18; and its average age has fallen almost as dramatically.

There was speculation on Wall Street yesterday that perhaps Kaufman's well-known concern with the growth of debt in the US economy had led to some friction in the upper echelons of Salomon's management team. The firm is one of the most aggressive marketers of new-fangled debt instruments in the financial markets.

There was even a rumour that the wealthy Kaufman was waiting for a call from the US Administration to help solve the country's economic problems and might even take a top job at the Federal Reserve.

The only thing that can be said with any certainty is that Salomon Bros needs Kaufman more than he needs Salomon Bros. He is an important selling point for the firm's customers.

"Look on the bright side—you'd have to sell your TSB shares to pay the next gas bill anyway."

## Out of step

Racial attitudes towards the "evils" besetting South African society have become increasingly divergent. In Cape Town this week, the synod of the Nederduitse Gereformeerde Sendingkerk, the Dutch Reformed Church's Coloured sister church which is headed by Dr Allan Boesak, has overturned a 40-year-old decision that dancing is a sin. There is no scriptural case for believing that dancing is sex play, the synod decided on a majority vote.

But while Coloured South Africans are becoming more tolerant of life's little pleasures, some whites take the view that the Devil has work for idle hands.

Gilt traders on the Johannesburg stock exchange have been forbidden to play backgammon and cards during trading hours. The JSE committee acknowledges that trading on the gilts floor is particularly quiet, but as assistant general manager, Robert Newton, puts it: "This practice detracts from the dignity of the floor and the professional status of gilt trading operations."

## Together again

Choosing a name for a new company can be a traumatic business.

All that poring through lists to see who has already snaffled the best ones. And working into the small hours to find the right label to impress customers and bankers fro mwhat is left.

None of that seemed necessary for the former managing director of Wimpey Property Holdings, Colin Smith.

All seven of his new company's board have been Wimpey people at some time. So what else could he call the business but Reunion Properties. Smith is the chief executive.

Nor, he insists, was it planned that almost everyone else working for Reunion has also come from Wimpey—even to the chauffeur. "They were some of the best in the business, so I asked them to join," he says.

Smith set up Wimpey's property arm in 1972 and built it to a net worth of £100m before leaving in January last year.

Relations with his old firm are still cordial in spite of his recruiting drive. He remains a consultant for Wimpey on its big proposed office development at Little Britain, a prime City of London site.

## Light work

One of the more spectacular sights at the world energy conference in Cannes this week was a firework display at the British Committee party, provided by its chairman elect Sir Phillip Shelbourne. The opulence of these pyrotechnics contrasted a little sadly with the straitened circumstances of Britoil, the independent oil company of which Shelbourne is chairman. As the last display stars cascaded into the Mediterranean, one guest remarked: "I think I counted 700 explosions — one for each of the employees which Britoil was obliged to make redundant this autumn."

## Night shift

The US investment banks are notoriously good at making their London employees sweat for those telephone digit salaries. Some banks proscribe long lunches, others ban employees from living more than half an hour away from the City. But was it really necessary for Chemical Bank to have briefed its architects, Whinney Mackay-Lewis, to design sleeping accommodation for its new London headquarters?

***Observer***

JARUZELSKI'S AMNESTY

# Polish eyes turned to the West

ANYONE WONDERING where Poland is going after General Wojciech Jaruzelski's amnesty for political prisoners may care to reflect on the experience of a young Warsaw academic last week.

Coming down to his car in the morning he found all four tyres had been pierced by a long thin pin. A few days before he had given lifts to Father Teofil Bogucki, the fiery parish priest at the shrine to Father Jerzy Popieluszko murdered by security police two years ago.

That very day the academic was due to drive a top Solidarity adviser busy planning his banned union's next move. It seems fair to assume that it was a plainclothes security man who wielded the pin.

This form of harassment is a throwback to the 1970s when the then party leader, Mr Edward Gierek — busy piling up Poland's debt to the West, now approaching $32bn — decided that he could not afford the western censure which would attach to the holding of political prisoners.

He opted instead for harassment of the then weak opposition, but stopped short of putting its leaders in jail.

Now with the Solidarity activists at liberty and little sign that they will be given a political role to play, the authorities seem fated to try and contain the opposition by the same methods. "It works until discontent begins to grow into a wave of unrest. Then the Opposition can no longer be contained," says one party member ruefully noting that was exactly what happened in 1980 when Solidarity was born.

The decision to free all the Solidarity leaders last month, even those like Mr Zbigniew Bujak, only recently detained, came after General Jaruzelski returned from a holiday break in the Soviet Union. No doubt he discussed the move with Mr Mikhail Gorbachev and won his approval. In an echo of the 1970s, the amnesty is aimed at improving relations with the West and prompting a resumed flow of Western government-guaranteed credit.

The amnesty provoked a flurry of excitement both inside the establishment and the Opposition. In both camps it was felt that a significant liberalisation was around the corner. Almost a month later that conviction is waning.

A seven-man national council set up by Solidarity—its members are recently freed Solidarity leaders and it is designed to work openly to revive the movement—has been declared illegal by the authorities.

They have reacted negatively to initiatives by moderates like Mr Lech Walesa, still the unquestioned leader of the movement, who feel that Solidarity should work independently of the authorities to tackle some of the country's most pressing problems, but without necessarily getting into a confrontation with the Government.

The economy, the environment, technological decline are all areas where they think some

**By Christopher Bobinski in Warsaw**

form of informal co-operation is possible. Mr Jacek Kuron, a veteran dissident supports this line.

He warns Solidarity against just "calling for wage increases and an end to price rises. That way we will lose credibility."

Both Mr Kuron and Mr Walesa would agree that the next step should be an appeal to their supporters to get more involved in officially sanctioned activities like workers' co-management committees in industry and housing co-operatives. Ad hoc groups could be set up to combat alcoholism or drug abuse.

All this, they argue, is vital to breaking through the generally apathetic popular mood—also one of the barriers to economic recovery.

Already Mr Walesa has written to President Reagan to reiterate his appeal for a lifting of remaining US economic restrictions on Poland, arguing for most favoured nation treatment to be reinstituted and for a resumption of credit flows. But even this kind of indirect support embarrasses the authorities. The Soviet media last week attacked the new Solidarity initiative, signalling that there are to be no further concessions to the opposition, and no compromises.

The present situation can be maintained as long as the population en masse continues to reject the level of active protest which occurred in August 1980. This does not mean that sporadic strikes do not occur. Working class families, hard pressed by an inflation rate running at nearly 18 per cent, are intent on keeping wages growth in line.

A growing cause of shop floor complaint in those sectors where productivity schemes are in force is shortages of raw materials which halt production and hit earnings. Subsequent protest stoppages are usually resolved by the Government coming up with additional funds to placate the strikers.

The key to fending off the threat of widespread unrest is an improvement in the economy. A series of good harvests has boosted agricultural production and eased the payments situation because of lower grain imports. It has also emboldened the authorities once again to permit free market sales in parallel with the chronically depleted state shops. Fruit and vegetables, where the state intervenes least, are as ever abundant.

The problems, however, lie with industry and the construction sector. At last July's party congress, Gen Jaruzelski outlined his view of the solution: an additional boost to the decentralising, market-orientated reforms decreed in 1982 and implemented, with varying results, since.

Poland's creditors—the Western banks and governments—are looking to the reform to produce an improvement in hard currency earnings sufficient to service the $32bn debt.

Since 1981, when Poland suspended debt service payments and asked for a rescheduling of its commitments, the banks have provided no new credits. But they have praised Warsaw for fulfilling the new, negotiated payment schedule.

The western governments, which hold some two thirds of debts, suspended rescheduling talks in protest against martial law in 1981 and only returned to negotiations three years later. The talks are still dragging on. The governments, for their part, have been loath to provide new credits seeing little in Poland's economic situation to denote any permanent improvement.

Also the governments were linking progress on the issue to the freeing of political prisoners. However, despite the amnesty and talk of speeding up reform, the cautious mood among bankers and government officials persists, especially as Poland's payments problems this year could mean further requests for more debt relief.

Here the IMF, which Poland recently rejoined, could play a role and Mr Bazyle Samojlik, the new Polish Finance Minister, has said that the Fund is ready to accommodate some of his country's needs in the next financial year.

But the IMF, too, is watching the progress of the reform with interest.

The problems of implementing reform lie, however, with the intense conservatism of the bureaucracy and the structure of an economy still orientated to heavy industry and not really geared to the needs of the consumer.

The signal that progress on implementing the reform is vital has come most clearly from this year's hard currency export figures. After the first eight months, the hard currency trade surplus amounted to $493m. That compares with a surplus of $608m at the same time last year which in any case was behind target and which resulted in a missed debt service payment, and this year's target of $1.6bn.

The slippage in the first eight months has come from sales of the major commodities and fuels which traditionally have underpinned Poland's earnings. The volume of coal sales is down by 15 per cent, silver by 17 per cent, sulphur 22 per cent and copper 9.5 per cent. Agricultural sales fell victim to the post-Chernobyl EEC restrictions and fell by a fifth in volume. Meanwhile sales of machinery and other manufactured goods are failing to grow by as much as they should if the country is to earn the surpluses needed to service the debt through to 1990 and beyond.

In the short term, the economy needs new credits to finance the replacement of machinery and meet a shortage of components and raw materials.

But, at the same time, the reform has failed to produce more aggressive and adaptable exporters. Continuing shortages at home make the domestic market an easy proposition for producers and provide an alibi for a bureaucracy fiercely jealous of its power to reimpose controls over companies and maintain rationing.

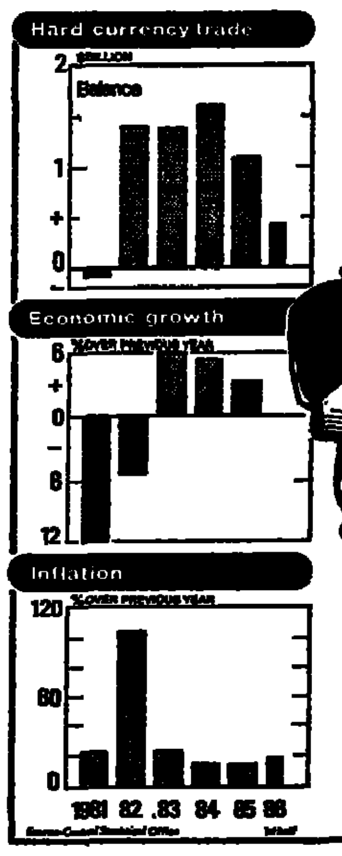
Since the July Polish party congress, which reaffirmed the official commitment to reform, economists and even some officials have redoubled their calls for action to balance supply and demand by increasing prices.

So far there have been no clear decisions on this issue. Senior party officials continue to tell party meetings that the country must decide whether it wants lower prices and a longer period of emergence from the crisis or a tougher, shorter period of recovery.

Having freed the prisoners, General Jaruzelski now faces the challenge of securing an improvement in the economy—and that means getting the reform moving.

It is still very much an open question as to whether he has the political will to neutralise conservative bureaucrats or indeed the vested interests of many workers. The alternative is a period of muddling through while the economy sinks back into its traditional centralised model and living conditions stagnate, leaving the security police to contain the population's hopes for greater political rights.

Under such a scenario, another major crisis could scarcely be avoided.




## Lombard

# Private profits, public costs

By John Plender

IF THE progressive liberalisation of the world's capital markets has an economic and social justification, it lies in efficiency. But how efficient do we really need our markets to be?

As the volume of transactions in the global securities markets increases inexorably, corporate treasurers become more and more excited at the scope for reducing the average cost of their liabilities through myriad forms of arbitrage. Indeed these fractional cuts in the cost of capital seem to generate more excitement nowadays than the additions to earnings and assets that come from more straightforward toil.

This is surely unhealthy. And it is interesting to see that Mr David Walker, an executive director of the Bank of England who has been closely associated with the initial moves to deregulate the Stock Exchange in London, has been raising what he calls questions of perspective about the global equity markets in a recent speech to the Group of 30.

After teasing his audience with the fact that the developed economies with the most active capital markets appear to have performed less well than West Germany and Japan over the past quarter century, and pointing to the regulatory and systemic risks that stem from the internationalisation of the markets, Mr Walker highlighted a change in the relationship between investors and companies. Just as increased competition in banking has tended to undermine the relationship between banker and corporate client, liberalisation in capital markets tends to weaken the relationship between institutional investors and companies.

This reinforces a bias towards short term performance and deal-making; and the bias in the markets ultimately forces corporate boards to become more deal-oriented themselves, with dismal implications for organic growth. In short, there is a divergence between the interest of market practitioners and the economy as a whole, between private profit and public cost.

It is easy to agree with the diagnosis. When it comes to investing in equities across national boundaries, fund managers appear relatively unconcerned about the rights and responsibilities of equity ownership. Hence the proliferation of non-voting shares, for example, in the Euro-equity market. At home, there are still plenty of professional investors who believe that the answer to poor industrial performance is to sell their shares to other investors through the market or to a predatory takeover merchant. Yet as Keynes pointed out, liquidity for the individual investor is an illusion where the assets of society as a whole are concerned.

Mr Walker argues that there is little that the regulators can do, apart from drawing attention to the problem.

The more interesting question is how far the investment institutions can change their habits to focus on real growth, as opposed to short term performance figures. For the notion that they invariably have the collective wisdom to sell out of poorly managed companies in time, leaving private or foreign investors to carry the can, does not bear examination. Nor do more than a minority of takeovers improve corporate performance, if anecdotal evidence in merchant banking parlours is anything to go by. The real beneficiaries are the managers, whose pay goes up with enlarged responsibility, and their City advisers.

One helpful development would be for the institutions to take a more direct interest in top management remuneration. They could also play a more active part in setting accounting standards. The exceptionally lax merger accounting requirements in Britain do not require shares to be valued at market prices when issued; nor do they make the valuation of the assets acquired compulsory. This heavily reinforces the bias towards takeovers and makes the result impossible to assess.

The institutions have tended in the past to leave such things to the brokers' analysts. With the volume—and impartiality—of brokers' research likely to decline after Big Bang, they would do well to step up interest.

## An absence of strategy

*From Mr J. Mizrahi*

Sir,—Your editorial (October 8) entitled "An absence of strategy" is misleading.

Quite rightly, in the prevailing circumstances of dollar weakness and disinflation, official money supply targeting has been put on the back-burner.

Much more official emphasis is being placed on real interest rates as an indicator of domestic monetary tightness and the £/$ rate as an indicator of domestic currency vulnerability.

The hard fact is that our real interest rates, however defined, are among the highest in the world. Also, the dollar—the currency in which the bulk of our imports is denominated — has remained relatively stable against sterling, thereby minimising the risk of imported inflation. Providing it is not precipitous, sterling weakness against the D-Mark is welcome, in that it is, in effect, a relatively non-inflationary stimulus to domestic output.

This is not to suggest that there are no domestic economic problems. Pockets of inflation do exist (viz wage awards, home prices, high level of borrowings etc.) but, in the prevailing disinflationary climate and at a time when nominal GNP growth is undershooting official targets, these difficulties are nowhere as significant as your editorial would have us believe.

Jeffrey Mizrahi,
(Chief Economist).
*Savory Milln,*
*20 St Thomas Street, SE1.*

# Letters to the Editor

## Early closing market days

*From the Chairman, London Commodity Exchange and the Chief Executive International Petroleum Exchange*

Sir,—It is a pity that Mr V. A. Harrison (October 7) should choose to raise the issue in your columns of the closing procedures on certain London markets without checking his facts with those markets first.

In the case of IPE, the new closing procedures were introduced because the IPE intended, and now has introduced, additional contracts to trade on the same floor, which would make it impracticable for the previous call chairman system (which was designed to accommodate a single contract on a unique floor) to operate effectively. Similar considerations apply to the LCE contracts which will be traded on one floor when the markets move to Commodity Quay over Easter 1987.

It is also somewhat surprising that an apparently experienced futures trader such as Mr Harrison should be unaware of the closing procedures in the United States markets. They close all months simultaneously on a bell and, therefore have less flexibility in terms of closing procedure than that operated on either the IPE or the LCE coffee market.

Mr Harrison is at least correct on one account. Both the LCE and the IPE are intent on providing an excellent service and encouraging new business to London. Indeed, the LCE coffee contract has had a growth in turnover this year of some 90 per cent and IPE of some 120 per cent over last year. Both exchanges keep their procedures under review to ensure that they are able to meet the needs of a modern financial market place. The new closing procedures were introduced on an experimental basis following lengthy consultations with member firms and that experimental period ended some months ago without any adverse reactions.

Saxon Tate and
Peter Wildblood.
*58 Mark Lane, EC3.*

## Creating extra employment

*From Dr L. McClements*

Sir,—Mr Fry (October 1) can justifiably point to the employment created by Business Expansion Scheme companies. From a national standpoint however it is the additional UK employment which is important.

BES companies may be quicker to identify market opportunities. Consider a 150 employee residential property enterprise which begins one year earlier than under normal conditions. This only contributes 150 employment years rather than 150 times the life of the company. The residential property market may be adequately supplied already — the 150 "new" employment years will displace some existing employment.

BES employment in traded goods and services is more likely to be additional. Increased production of tradeables (which probably includes many high technology products) will tend to displace imports as well as existing domestic supplies. In the case of non-tradeables like hotels, pubs and restaurants it will be largely domestic employment which is displaced.

We also need to consider what would happen if the BES tax relief was retained by the Treasury. It might be used to reduce the overall tax burden allowing taxpayers to spend more on domestic goods and services. Alternatively, the same result could arise from increased Government expenditure. In either case the retained BES tax relief would produce some employment. This would need to be offset against BES company employment.

(Dr) Leslie McClements.
*Greenview,*
*Golf Road,*
*Helen's Bay,*
*Bangor, NI.*

## Contingency fees

*From Mr S. Crossick*

Sir,—In his column addressed to me (Sept 18), Dr Hermann proposed a number of interesting solutions for the contingency fee system, none of them tampering with the rule that unsuccessful litigants pay the fees of successful ones. May I offer another one?

The legal profession should set up a fund to offer representation on a contingency fee basis. The fund would employ lawyers at reduced fees but not contingently. The fund would also pay the costs if it lost.

Of course, the encouragement of legal expenses insurance is another way of increasing access to justice.

Dr Hermann asks, were I acting for Movitex on a contingency fee basis, would I not do all in my power to settle the case without a 71-day hearing. The answer must be yes. He is right to draw attention to these long English trials which must be shortened—as Mr Justice Woolf said last year in *R. v Attorney General ex parte ICI*.

It is striking that an English court hearing often takes several weeks, whereas the European Court of Justice in Luxembourg rarely takes more than one day.

Stanley Crossick.
*118-128 Avenue de Cortenbergh,*
*1040 Brussels*

## Participation in SDI research

*From the Director General, Strategic Defence Initiative Participation Office*

Sir,—I have read with interest Peter Marsh's report (October 3) of the results of an informal Financial Times poll of the prospects for British participation in the US SDI research programme.

The report presented a moderately optimistic picture of these prospects over, say, the next year or so. My expectations for the potential success of British industry and research bodies are higher, in terms of value of business; time will tell.

What concerns me is that you report that about half of the companies who responded to the questionnaire have expressed "dissatisfaction or uncertainty" with the Ministry of Defence's help in securing SDI research business from the US. Since the prime function of the SDI participation office in the Ministry of Defence is to promote a programme of British participation in the US SDI research programme, I would be failing my responsibilities if I did not assist British companies and research organisations in their efforts to obtain business. May I request any who feel that we have not been providing an effective service to get in touch with me and explain what the problem is; I undertake to do something about it.

(Dr) S. Orman.
*Ministry of Defence,*
*Northumberland House,*
*Northumberland Avenue, WC2.*

## Investors and risks

*From the Managing Director, Abbey Unit Trust Managers*

Sir,—I refer to Eric Short's article (October 1) under the heading "Unit trusts deeply divided on DTI proposals." In that article it is implied that, for example, we and M & G take very different positions relating to commodity funds.

In reality, I think our positions are much closer than was suggested. In our submission to the DTI we made it clear that we did not think that property or commodity/futures schemes should be freely marketable in the same way as other types of scheme, in view respectively of their inherent illiquidity and speculative nature. In this context we expressed disappointment at the apparent demise of "restricted unit trusts" which were foreshadowed in the January 1985 White Paper which outlined much tighter marketing constraints for them than for "authorised" unit trusts. Using the White Paper definitions we are in agreement with M & G that such funds should not be freely promoted to the public as authorised unit trusts.

Having made the point about the need for adequate safeguards, we can see little argument for excluding different types of fund from regulation as collective investment schemes; rather than exposing investors to new risks, their inclusion would at least ensure that the marketing and investment of such schemes were properly regulated.

D. G. Glasgow.
*80 Holdenhurst Road,*
*Bournemouth, Hants*

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# FINANCIAL TIMES

Friday October 10 1986



# Shultz fuels a credibility row

**Lionel Barber in Washington** traces events which led to allegations that the US Government used the media to wage psychological war on Col Gadaffi

IT IS not often that a US Secretary of State quotes Winston Churchill and lands himself in a mess.

But when Mr George Shultz told reporters in New York last week that "in time of war, the truth is so precious that it must be attended by a bodyguard of lies," he unwittingly fuelled a controversy about the Administrations's credibility which is still burning here in Washington.

Mr Shultz was referring to revelations about an alleged attempt by the US Government to use the American and foreign media as part of a campaign of psychological warfare against the Libyan leader, Col Muammer Gadaffi.

The alleged aim was to plant misleading stories, initially in the foreign press, suggesting that the US was about to mount a further military strike against the Libyan leader. The justification: intelligence reports suggesting that Col Gadaffi was planning a fresh bout of terrorist outrages in Europe.

The problem was twofold. US intelligence reports were not definitive about a resurgence of terrorism. Nor was there a concrete plan by the US air force or navy to follow up the raid by US bombers against Tripoli earlier this year.

And yet on August 25, a story appeared in the Wall Street Journal suggesting that the US Government was on a collision course with Col Gadaffi. The story was subsequently pronounced authoritative, but not authorised by Mr Larry Speakes, the White House Spokesman. It was then repeated with varying degrees of scepticism by other American newspapers.

It was only last week that the full context of these reports became clear. The Washington Post's investigative reporter, Mr Bob Woodward, revealed that the State Department had drawn up a working paper on August 6 which stated: "The goal of our near-term strategy should be to continue Gadaffi's paranoia so that he remains preoccupied, off-balance ... and believes that the army and other elements in Libya are plotting against him – possibly with Soviet help. Believing that, he may increase the pressure on the (Libyan) army, which in turn may prompt a coup or an assassination attempt."

According to the Post, the reference to assassination was later deleted. But that initial State Department working paper was subsequently transformed into a National Security council memo which talked of creating "real and illusory" events aimed at destabilising the Libyan leader.

These real and illusory events cover a multititude of tactics. Primarily they would include navy manoeuvres and military moves suggesting that the US was prepared to strike. But they also appear to have included spreading stories abroad that Col Gadaffi was mentally unstable and was threatened by an internal coup.

Mr Shultz and Mr Donald Regan, White House Chief of Staff, have both suggested in repeated television interviews that these were legitimate tactics against the man described by President Ronald Reagan as a "mad dog" and styled by the Administration as the architect of international terrorism.

What they have both denied is that there was a co-ordinated attempt to mislead the American press. This may at first sight appear surprising to outsiders. Are there not exceptional circumstances in which some mild lying and deception may be practised in defence of the national interest?

This was precisely what Mr Shultz was trying to say when he spoke, rather too candidly, in New York to his audience of reporters.

What Mr Shultz failed to realise was the impact of his comments on the very people he relies upon to communicate to the American public – the news media.

For several days, breast-beating editorials and polemic pieces by influential syndicated columnists have attacked the Administration for what they say was a deliberate "disinformation" campaign using the American press as weapons in the war against Col Gadaffi.

To cap this, Mr Shultz's chief spokesman and a senior State Department official, Mr Bernard Kalb, resigned on Wednesday saying that "faith in the word of America is the pulse beat of our democracy ... anything that hurts America's credibility hurts America."

The timing of Mr Kalb's resignation is doubly unfortunate. Coming just three days before the mini-summit with the Soviet leader Mr Mikhail Gorbachev, it has undermined the Administration attempt to have a smooth ride to Reykjavik in the press. It has also indirectly raised suspicion that the Administration may not be telling the whole truth about the cargo aircraft manned by Americans which was shot down last weekend in Nicaragua on a mission to supply contra rebels against the left-wing Sandinista Government.

To suggest that Mr Reagan faces a credibility crisis goes too far. His standing in the polls, for example, is of far more significance than his standing with the White House press corps who, after all, have given him a pretty easy ride during his six year presidency. A successful summit meeting with Mr Gorbachev is likely to wipe out the stories about disinformation, if only because the attention span in the US is so short.

A more lasting legacy will be the confusion sown in the minds of the allies about the Administration's policy towards Colonel Gadaffi. It is the allies, rather than the colonel, who are likely to have been put off balance by the latest revelations about disinformation.

# UK banks bid to save cashless shopping

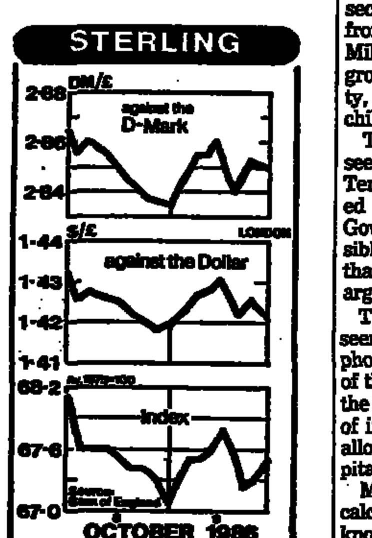
**By Alan Cane in London**

# British Gas to prevent shares sold abroad from flowing back

BY IAN HAMILTON FAZEY IN ALTRINGHAM AND LUCY KELLAWAY IN LONDON

# Sterling rally reversed

Continued from Page 1




NatWest targets, Page 13

# World Weather

# Lawson inflation pledge

Continued from Page 1

# Smug Tendency soothes seaside Tories

**By John Hunt**

WORRIES over the falling pound and pressure for a rise in interest rates seemed not to have filtered through to the British Conservative Party's annual conference yesterday.

The sun still shone and the waves gently lapped the shore at Bournemouth as the party faithful docilely gathered to hear Mr Nigel Lawson, the Chancellor of the Exchequer, make his keynote economic speech.

Could this really be the embattled Chancellor depicted in the media over the past few days? There he was on the platform, slightly ragged looking, but almost as bouncy as ever as he cracked jokes with fellow ministers.

Perhaps the mail coach from London had failed to get through to this elegant Victorian resort and intelligence of the anxieties in the City of London counting houses had not reached the Conservatives as they sipped their gin and tonics at the innumerable conference receptions.

But in the halcyon days of the last century, the Conservative Party, which had been the party of the landed gentry and was rapidly becoming the representative of the new industrialists, did not have the Socialists to contend with in parliament.

Labour was formed at the turn of the century as the biggest working class party in Britain and gradually overtook the Liberals as the main contender for power against the Conservatives.

The tone of the proceedings was set by a notice at the entrance of the conference centre which declared: "You are now entering a smiling zone."

Obedient as ever, the delegates – or representatives as they like to be known – smiled and laughed at every quip from the rostrom and applauded anything and everything. Naturally the cyncs saw this as a sure sign that beneath this frenetic good humour the party was in a worried mood.

The morning started with agriculture, that subject so dear to Tory hearts. There was, however, a sudded break with tradition.

Instead of congratulating the Government, the motion began by congratulating the farm industry for holding down food prices.

Of course Mr Michael Jopling, the bucolic and amiable Minister of Agriculture, had no difficulty in agreeing with these unremarkable sentiments. "I am sure the motion begins on the right note by congratulating the British farming industry on its success," he intoned.

This won immediate appaluse from the good yeoman stock from the broad acres of Birmingham, Manchester and the London suburbs.

The conference then moved on to employment where the motion did give a nod in the direction of Britain's 3¼m unemployed but was confident that the Government was following the right policies for job creation.

Here again the mood was largely one of self-congratulation. Every second speaker seemed to come from Liverpool and the spectre of Militant Tendency, the Marxist group outlawed by the Labour Party, was constantly conjured up to chill the blood of the listeners.

These right wing Liverpudlians seemed to represent the Smug Tendency. They were quite satisfied there was no alternative to the Government's realistic and responsible policies and were convinced that the Tories would win the jobs argument, at the general election.

The speakers in the debate seemed swept along on a tide of euphoria congratulating a Chancellor of the Exchequer who had achieved the miracle of getting down the rate of inflation while still managing to allow more spending on roads, hospitals and education.

Mr Lawson started his clearly-calculated speech with the kind of knock-about music hall turn at which he excels.

The Opposition Labour leader, Mr Neil Kinnock, was held up to ridicule as the man with the red rose in his buttonhole walking backwards into socialism like a penniless fellow trying to get into the cinema.

Those other well-known figures from the demonology of socialism Roy Hattersley, Michael Meacher, David Blunkett and Arthur Scargill, were also paraded out for the audience to hiss at.

In fact more of the speech was taken up attacking Labour and the Liberal Social Democratic Alliance than on defending the Government's own record and presenting future policies.

So there we had it. Our troubles are all the fault of those rascals in the Labour Party.

His listeners loved it and gave him such a prolonged standing ovation that Nigel, with uncharacteristic modesty, had to motion them to resume their seats.

THE LEX COLUMN

# Tomorrow is another day

Though the markets abhor a policy vacuum, they will sometimes put up with a bubble. In keeping silent on monetary and exchange rate matters until his speech in the City of London next week, the UK Chancellor of the Exchequer is betting that the policy bubble will not burst, or subside, meantime. If the authorities keep puffing liquidity into the short end of the money market, and if the programme of central bank intervention can keep sterling out of trouble, the bet could yet be handsomely won.

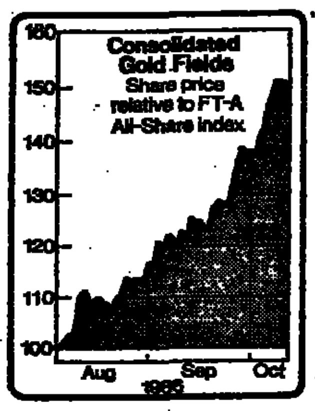
There are plenty of domestic reasons, in any case, for avoiding a base rate increase. Unpleasant side effects -such as a bump in the mortgage rate – are not the worst of it; if the point of raising interest rates is to demonstrate control over the monetary boom, it is unlikely to be effective. Borrowers in the personal sector are remarkably insensitive to their cost of funds, and raising the price of credit has at times had the depressing effect of increasing the demand from companies.

On the other hand, unless the atmosphere of crisis can be dispersed, allowing a recovery in sterling and an easing of money market rates, the current policy will become increasingly distended. Allowing discount houses an eighth of yield on a few bills does not concede anything to the market's view of a proper base rate. The clearing banks cannot go on for ever (certainly not much beyond next Thursday) funding their medium-term lending at the overnight trough.

## TSB

Every institution has learnt that it makes sense not to sell out in a dawn raid, but wait instead for a higher price. It is not yet clear whether the same investors have learnt not to buy brand new shares in a market still on a high with flotation publicity. Perhaps the fate of Abbey Life and Morgan Grenfell may have broken the addiction.

The jobbers will probably open the market in the partly paid TSB shares at around 90p, which sits nicely in the middle of the three prices on the traded options market. The institutions are claiming that they will turn their nose up at anything much above 80p, at which




price the shares are at a discount of only 4 per cent to the assets that were supposed to have been given away. But it makes good sense for the market makers to set a price in early dealings which will encourage sellers. These will come in tiny manageable bundles. To invite the institutions to wade in with bids for a million TSB in a market starved of liquidity is a mug's game.

The index funds will probably move in at 9am sharp, but it must surely make sense for less Pavlovian forms of investor to wait for the price to come into line with the rest of the banking sector. This may mean holding their breath for months; in contrast with British Telecom, there are several alternative investments in the banking sector. This process was clear yesterday as the Big Four's share prices rose by between 2 and 3 per cent. Today's dealings will in any case be a strange affair, coming just the day after the posting of letters of acceptance. Lazard should have left first dealings till Monday, the first day of a new account, when nearly everyone will know their position.

## Bell/Standard

The disclosure by Bell that it was indeed the buyer of 2 per cent of Standard Chartered on Wednesday, was hardly a surprise. After all Mr Holmes à Court declared an intention to double his 8 per cent stake in Standard as long ago as August. Until that was translated into action, though, the market was not prepared to bank on it. Standard's shares were recently around 690p, but it took Rowe & Pitman an hour to find enough sellers at 740p to fill the order, hardly up to that broker's usual speed. The shares put on a further 5p to 745p yesterday as the numerous takeover possibilities were given another airing.

Aside from averaging down its purchase cost, Bell with 10 per cent of Standard is in a much stronger position than Bell with 8 per cent. A bidder for Standard would be unable compulsorily to buy out the Bell-held minority and a bidder like Lloyds would want full control of Standard in order to put the businesses together. Bell has also improved its chances of picking up some bits if Standard is eventually broken up – an event which it has not made any the less probable.

## Gold Fields

What is happening at Consolidated Gold Fields? It surely cannot have been simply the promise of a dividend increase after six flat years, made in yesterday's report and accounts, that is driving up its share price. Gold Fields has tracked the sterling gold price doggedly this year; but since the end of September, when Gold Fields shed its fat dividend, it has left the metal for dead. Gold Fields rose another 25p yesterday, to 682p, for an increase of 12 per cent this week alone.

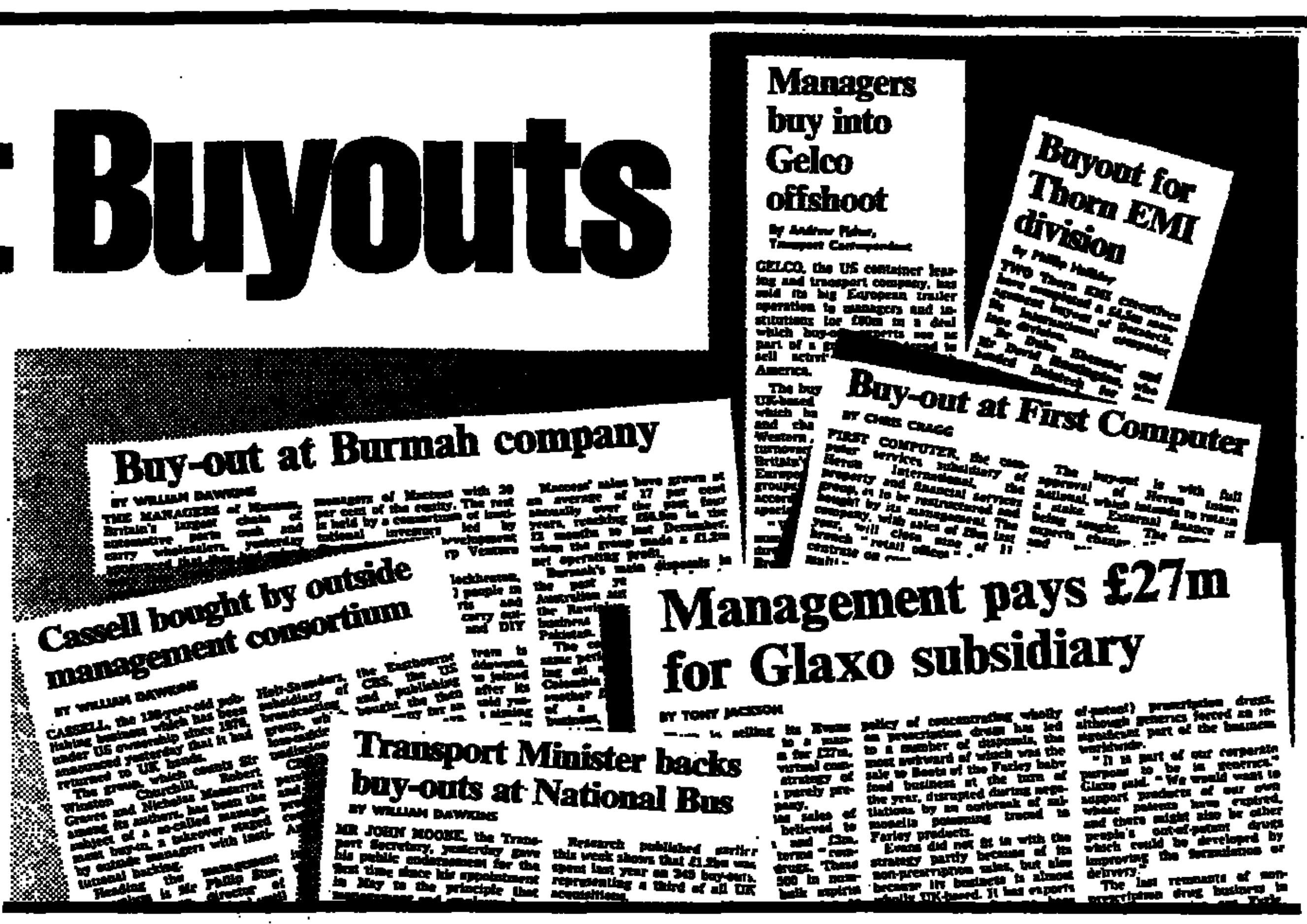
The rumour mill, which is grinding out for RTZ as well, turned up the usual Australian bid interest. Stockbroking historians could dust off memories of the great dawn raid of February 1980, when De Beers brought its shareholding up to 25 per cent. Minorco now holds 28 per cent. As the sterling gold price has risen, so estimates of break-up value have climbed to well over £9 a share for the optimists.

Whether this week's performance can be sustained by the gold price alone is open to question. The accounts show the damage to the equity base wrought by the disposal of Gold Fields' North American industrial businesses: net debt was up at 83 per cent of diminished shareholders' funds and operating cash-flow could not quite cover dividends and replacement capital expenditure. However, the neat deconsolidation of Newmont's loss-making copper operations should be worth as much to earnings in a full year as £20 on the sterling gold price.

SECTION III

# FINANCIAL TIMES SURVEY

# Management Buyouts




CONTENTS


| | |
|---|---|
| The Investors | Page 2 |
| The UK Scene | Page 3 |
| Scotland Wales The North | Page 4 |
| Profiles: Schroder Ventures Manufacturers Hanover Candover Invs. | Page 6 |
| Top UK Buyouts Profile: Wardle Storey | Page 8 |
| Profiles: EIS Parker Pen Citicorp | Page 10 |
| The Accountants Top Mngmnt Buyouts | Page 11 |
| The Lawyers | Page 12 |
| France Guide to Jargon | Page 13 |
| The US Scene | |
| Profiles: National Gypsum Drexel Brnhm Lt | Page 14 |


Last year a third of UK corporate acquisitions were management buyouts. Blue chip names are on the list of deals which have lured City institutions with the prospect of fast profits

## Leap out of obscurity

By William Dawkins

An extraordinary new phenomenon is pervading all levels of British corporate life. It is touching companies of all sizes and in sectors as diverse as toy manufacturing, timber production and information technology.

It has moved in five years out of the preserve of a brave few using the technique to make last ditch rescue bids for ailing businesses to become a glamorous and fastgrowing part of the takeover scene. Management buyouts last year accounted for a third of all UK corporate acquisitions, proof beyond doubt that they have leapt from obscurity to become an important part of corporate strategy.

Blue chip names like Parker Pen, Vickers Shipbuilding and Engineering, Bowater Industries' UK paper making and merchanting interests, and Thorn EMI Screen Entertainment are among the 245 companies to have been taken over last year by their management teams. They have attracted the eager backing of City institutions lured by what looks like the prospect of making reasonably secure and fast profits.

A record £1.2bn was spent on buy-outs last year, up from just £50m in 1981—and the first six months of 1986 have seen £710m raised for 140 deals according to a recent study by the Centre for Management Buyouts Research at the University of Nottingham.

The size of the buy-outs too has shown a spectacular rise: The UK record at the time of writing is the £173m takeover completed in August last year of Mardon Packaging, now renamed Lawson Mardon. According to the Nottingham centre, the average buyouts has risen in purchase value from £500,000 to £4m since the turn of the decade, with 33 deals last year at prices of more than 15m.

The flow of larger deals has, however, thinned recently as high stock market values and the general euphoria of a booming mergers and acquisitions market has driven prices beyond the reach of management consortia. Ironically, the huge sums being mobilised for specialist buyout funds also played their part by fuelling vendors' price expectations.

Nevertheless, experts believe the 1986 total could be up to twice as high as the 1985 tally if prices ease. That would still be puny compared with the more developed US buyout market, which has completed in the past 12 months several huge leveraged takeovers like the $4.2bn purchase of Safeway Stores and the $3.5bn acquisition of Macy, the department store chain.

Leverage refers to the technique of raising debt to finance an acquisition, secured on the assets of the company itself. In this way the management team can put up a small portion of the overall purchase price, but still end up with a significant share of the equity. Leveraged and management buyouts are usually—though not always—the same thing, though leveraged bids can also be mounted by outside predators.

But in spite of the differences in size and vocabulary, the buyout boom on both sides of the Atlantic is being kindled by similar forces. After years of growth through acquisition, given fresh impetus by the present wave of mergers, many conglomerates are now looking to rationalise by ridding themselves of noncore businesses. They argue that in increasingly global and fast moving markets, it makes sense to concentrate all their resources on mainstream activities. Last year, 80 per cent of UK buyouts arose from planned corporate restructuring, the Nottingham centre says.

A classic example is last year's £90m management acquisition of Mallinson-Denny, the timber group, after the takeover of its parent, Brook Bond, by Unilever.

But Sears Holdings, the retail conglomerate, made the most intensive use of buyouts for divestment in 1985 after its acquisition of the Foster Brothers menswear chain. Sears followed that purchase with the disposals of clothing manufacturers Jessops Tailor and Brownhills Clothing for undisclosed sums in May 1985, and went on to raise £6m by selling two US retailers, Marcus Co and Hardy and Hayes to their management last November.

The UK Government too has made free use of the technique as a method of privatisation for groups like the National Freight Consortium and Vickers, and is now trying hard to sell the 70 divisions of the National Bus Company to management.

Managers, meanwhile, are learning to be more aggressive. They are being spurred on by the publicity given to the fortunes made by buyout pioneers who have become millionaires through floating their recently bought-out businesses on the stock market, sometimes as little as 18 months after the acquisition. One venture capital alone, CIN Industrial Investments, the unquoted equity arm of the National Coal Board pension funds, claims to have helped to create 34 millionaires through its funding of 14 buyouts.

Mr Charles Gonszor, head of Citicorp Venture Capital's buyout unit, explains: "It is a cultural change. There is a growing awareness among UK senior managers that there are opportunities to purchase the company they have run for a number of years, and in the process achieve a reasonable level of affluence."

His competitor, Mr Michael Stoddart, chairman of Electra Investment Trust which runs a £260m buyout pool with Candover Investments, adds: "More people are realising that a management buyout can be a good way of selling a company. This is becoming a way of life that we will see getting even more established over the next three or four years."

The buyout boom would not be possible without the speed with which bodies like Candover, Electra and Citicorp have mobilised funds on a scale unprecedented in the development capital market, The three top specialist buyout funds alone account for £500m and accountants Spicer and Pegler recently estimated that £5bn of City finance would be available for buyouts by next year.

For banks, the buyout phenomenon represents a welcome opportunity to rebuild industrial loan portfolios after having burnt their fingers over Third World sovereign debts. US commercial banks in particular are using the leveraging skills they have learned at hame to muscle into the London buyout market.

This is a good way, some of them privately admit, to get a foot in the door of an otherwise restricted UK corporate finance scene. Big US banks active, or preparing to be active, in UK buyouts include Citicorp, Manufacturers Hanover, First Boston, Bankers Trust and Security Pacific.

Venture capitalists have at the same time been attracted by what they see as a kind of deal that provides a supply of dependable established companies to counterbalance riskier early stage investments in their portfolios and provide quick performance.

They have seen how buyout successes like Wardle Storeys, the plastics group, Westbury Homes or Metsec have gone quickly to the stock market at valuations many times their original purchase prices and now want to repeat those gains on a larger scale.

Most venture capital groups, however, are too small to take on big buyouts alone, so the growing size of the market has encouraged them to form syndicates, incidentally a strong feature of US venture capital.

"I have never known the venture and development capital market as co-operative as it is now. After all, you can't just take on a £60m deal on your own," says Mr Robert Smith, managing director of Charterhouse Development Capital, which is believed to be putting together a £100m buyout fund.

Most specialist funds provide straight equity capital, but another feature of the UK market's growth has been the increasing availability of so-called mezzanine finance, involving a hybrid range of funding instruments somewhere on a wide spectrum between equity and debt. Most active in this field are 3i, Pruventure and the Prudential Insurance Company of America.

"One of the things we are likely to see," says Richard Gawthorne, general manager of Pruventure, "is a greater willingness to provide mezzanine finance in larger deals, where you have the protection of being able to start selling off subsidiaries if things go wrong. That is not so easy in smaller deals, where there is likely to be less assest backing."

The proponents of buy-outs argue that management acquisitions have tended to perform well because the experience of being liberated from parental restrictions inspires managers to perform better.

"It is a basic human instinct," says Electra's Mr Stoddart. "If you suddenly find you are working for yourself and making a lot of money, you think as an owner

Continued on next Page

The Candover Investments team: (left to right) Stephen Curran, Roger Brooke and Peter Wreford.

The Investors

# Funds stretched to find deals

An important stimulant for the buyout boom has been the unprecedented amount of institutional cash set aside to help management teams bid for independence.

As little as five years ago, anybody looking for equity backing for a buyout was restricted to two main choices: 3i, which reckons to have put up more than £200m for management acquisitions so far, or Candover Investments, the small specialist group launched by Mr Roger Brooke in 1980.

Now the choice of funds available for management takeovers seems endless, with hardly a month going by without the announcement of another new vehicle keen to do deals. The last 18 months alone has seen the establishment of around a dozen dedicated buyout funds.

The largest of them, the Electra Candover Direct Investment Plan has received subscriptions totalling £260m, which would easily overtake 3i's record if fully invested. Take into account the fact that most buyouts need to borrow about three times as much as their equity bases to make the transaction possible, and the latest funds represent a combined firepower or nearly £3bn.

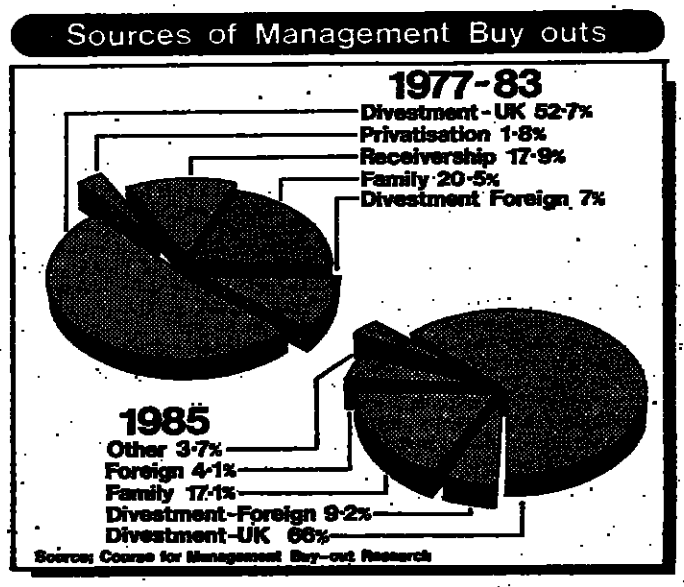
That does not include the sums invested regularly in this long-established but fast-growing phenomenon by the 40 or so smaller institutions in the field. Nor does it include the cash available from other groups not specifically involved in buyouts, like venture capitalists, which last year put a record 40 per cent of their £280m UK investment into such deals.

Underneath all the enthusiasm, however, several experts doubt whether there are really enough backable deals available to absorb all that cash. The problem is not so much the supply, as the price being demanded by vendors.

"Prices are getting very high and that means that there has to be a very high rejection rate," says Mr Michael Stoddart, chairman of Electra Investment Trust, which had not at the time of writing made a single investment from its joint buyout pool with Candover.

The pair has looked at about 20 propositions conforming to their requirement for an equity content of at least £10m, but decided not to back them.

To some extent, hopeful investors like Electra Candover and most—though not all—of its competitors are suffering from the market's eagerness to get a slice of the action. The volume of cash available for buyouts means that vendors can afford to be choosy. And the new generation of strategic buyouts demand far higher prices than was the case when the typical management takeover involved subsidiaries of groups in trouble or family companies with succession problems.




Other factors driving the recent rise in buyout prices include climbing stock market values, which have forced fully-valued vendors to seek disposals only when they can be made at price/earnings ratios similar to their own, and the unfortunate tendency of larger buyout attempts to attract outside bids before they can be consummated.

The prime example is the food and beverages division of Cadbury Schweppes, where the buyout consortium was forced last spring to raise its offer from £85.5m to £97m after Allied-Lyons came in with a £100m bid.

All this means that institutional investors, who are the real buyers in most management takeovers, are getting increasingly stretched to find deals, at least at the larger end, that have a hope of providing the 30 per cent annual return which most are looking for.

"All it means is that we do not draw the money down and have the embarrassment of returning a large-interest income to our shareholders," admits Mr Jon Moulton, managing partner of Schroder Ventures, which has only spent £4m so far of the £72m buy-out fund it launched last October.

The rule of thumb he uses to determine whether a buyout is suitable for investment is based on the relationship between the price/earnings multiple and debt payments.

"If the buyout is going at 10 times pre-tax earnings, that means you can afford to pay up to 10 per cent of the purchase price annually in interest. Any more than that, and it is unlikely to work," explains Mr Moulton.

Not all investors have been strapped for what is known in buyout jargon as deal flows. Citicorp Venture Capital, for instance, has funded 10 deals with a combined value of £150m this year. The group is something of a special case because it has been able to use its US background to consumate several deals with American links outside the vagaries of the UK market.

They include the £60m purchase of the trailer company TIP-Europe from Gelco, the US container leasing and transport group, and the £20m acquisition of Technitron, the European instrumentation offshoot of Dyneer Corporation.

Yet the present, temporary lull in large UK buyouts has done little to dampen institutional investors' eagerness to get into the next deal. Their appetites are being whetted by the growing number of recently achieved buy-outs to float profitably on the stock market.

According to the research consultancy Venture Economics, 11 former buyouts achieved flotations by the end of August, up from nine in the whole of last year.

One of the most spectacular illustrations of the speed with which successful buyouts can return huge rewards to their backers came earlier this year with the flotation of Westbury, a leading housebuilder. Its offer for sale in April valued the company at £39.2m, just over a year after 3i and Proventure led a management takeover for £12m.

Earlier flotation successes like the Wardle Storeys plastics business, Instem in electronics and DPCE in computer maintenance have given buyouts a reputation as the gold mines of venture capital, even if the durability of that reputation has yet to be tested in a severe stock market downturn.

"The big attraction for us is that—unlike many other unquoted investments—you generally have a management team that is well versed in the way that the business is run. You also have the opportunity to change the management, which you cannot do with a start-up unless you want to risk destroying it," says Mr Stephen Bloomfield, a director of CIN Industrial Investments, the unquoted equity arm of the National Coal Board pension funds, which recently launched a £60m buy-out fund.

"There is generally a stream of income to be tapped; you can often float in a short time; and if not there is the comfort of the potential of selling on to a trade buyer."

For venture capital investors, the buyout craze could not have been timed more helpfully. Many risk funds have come through a feverish few years of investment activity to end up with portfolios loaded with cash-hungry, early-stage ventures that demand a great deal of management time. Now they are only too glad to invest in older, less risky companies that offer the prospect of both dividend income and a fast capital gain.

"It means we can move from high-risk, high-return deals to medium-risk, high-return deals," says one venture fund manager, only semi-flippantly.

According to 3i, the average failure rate for small buyouts is just 14 per cent, much lower than for other kinds of venture capital investments. The death rate for large buyouts, involving investments of more than £150,000 is even better, at a mere 4 per cent, says 3i.

How long that good record will last, however, is another matter. Critics point out that some of the more heavily borrowed buyouts could be painfully vulnerable if a rise in interest rates should coincide with an indusrial downturn; a risk which in the past year has evoked cautious noises from the Bank of England.

**William Dawkins**

# Out of obscurity

Continued from previous Page

and your attitudes become rather sharper."

More cynical observers, however, question how much of the spectacular growth logged by recent buyouts comes from real trading improvements or from artificial factors like the removal of central management charges and reductions in borrowings through post buy-out asset sales.

"How many of them are going to produce real fundamental growth that would not have occurred previously has yet to be proved," says Mr Robin Hodgson, managing director of Granville and Co, which runs a £10m fund for smaller buyouts.

And independence does not necessarily transform managers into world beaters, as underlined last month when National Telephones, a privately owned producer of telephone exchanges, paid just £2.2m for Ansafone, a fraction of the £13.5m paid for the telephone answering machine producer in a management buyout five years ago. Ansafone had proved unequal to low-price competition sucked in by the liberalisation of the UK telecommunications industry.

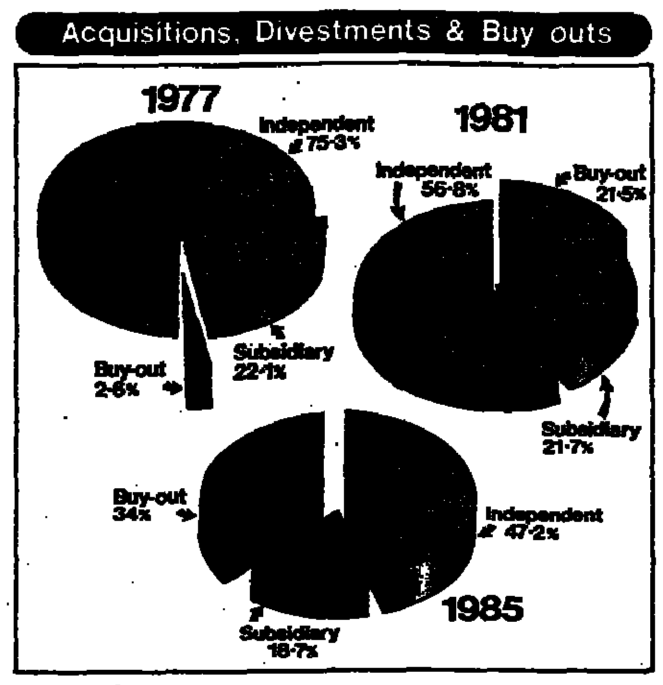
Others fear that some of the more heavily borrowed buyouts could prove uncomfortably vulnerable to interest rate rises and under so much pressure from debt repayments that they risk ignoring important long-term investment needs. Debt gearing of three or four times the equity base is not unusual among those deals willing to make public their balance sheets—and the issue of prudence is bound to get all the more pertinent as buyout prices continue to come under pressure at the larger end.

Mr Ewen Macpherson, director of 3i's City office, warns: "If prices get driven up, rates of return will almost certainly get driven down unless you put in horrifically high debt levels, which make the whole thing look unsound."

That is why some of the more cautious buyout funds are increasingly prepared to see deals go to trade buyers rather than invest themselves. After all, institutional investors need to take their profit sometime, usually through a stock market flotation—and the receptiveness of the new issues market two to three years from now is anybody's guess.

"To some extent, there is a good deal of keeping your powder dry," says Mr Roger Brooke, chief executive of Candover Investments, explaining why his joint fund with Electra had yet to make a single investment.

"Our main chance will be when the market falls out of bed," he adds. "Then we will be the only source of cash for these deals."




The growing role of buyouts in the UK and some of the major players: funder Robert Smith of Charterhouse Development Capital (far left); and managers Paul Judge, of Premier Brands (formerly in Cadbury Schweppes), and Lord Delfont (right), at the flotation of his First Leisure (formerly in Trust House Forte).

The UK Scene

# New generation of giant deals hungry for cash flows

LIKE SO many other developments in British venture capital, the recent explosion in management buyouts takes much of its inspiration from the US.

That is not to say, however, that they are an entirely new phenomenon, nor that they belong exclusively to the high-risk preserve of the venture capital industry. Smaller deals have been arranged quietly for years by some of the older venture capital providers, most notably 3i, which has financed roughly 600 buyouts over the past nine years, which it reckons to be more than half the total.

Until two years ago, the run-of-the-mill British buyout typically included the disposals of troubled subsidiaries by disillusioned parents; rescues from the receiver, such as the £18m acquisition of Stone International engineering group from the defunct Stone Platt in 1982; or family companies using buyouts to pass ownership to the next generation of management.

Deals like that are still expanding fast, in line with the general mushrooming of management teams buying their way to independence. But they have been overshadowed in the UK by a new generation of buyouts being mounted on a scale which would have been thought impossible a few years ago.

The new style of buyout, as typified by such substantial businesses as Vickers Shipbuilding and Engineering, Premier Brands (formerly Cadbury Schweppes' food and beverages division) or the Lawson Mardon packaging group, are different in character as well as size from their predecessor.

The older generation of small management takeovers tended to take place at a discount to assets, which meant that they had little need of what US practitioners call leverage. This is the principle whereby management teams borrow heavily against the value of the business they are about to acquire, with the idea of reducing debt gearing later from cash flow or new disposals.

That is why the new generation of British buyout has tended to embrace cash generative businesses in fairly mature industries like housebuilding, engineering, packaging or food. It is also why the financial skills needed to bring them off have more to do with corporate finance than venture capital.

"To be honest," says one risk capitalist, "these days we are talking more about institutional buyouts than management buyouts."

The first proof that large buyouts could be made to work came in early 1982 with the £53.5m purchase of the National Freight Consortium by management and staff. By last spring, the value of their shares had climbed from £1 to £27, adding fuel to criticisms that the Government sold the group far too cheaply, but also dramatising the rewards available to shareholders in a successful buyout.

Later in 1982, British buyouts stepped into showbusiness with the £37.5m takeover of First Leisure, Trust House Forte's leisure interests, by a team led by Lord Delfont. After a stock market flotation just over a year later, the group is now valued at £93m. This is not quite such a generous return as produced by the National Freight Consortium, but is further proof of the money to be made from this kind of deal.

However, the ball was really set rolling by a clutch of smaller buy-outs, like the DPCE computer maintenance group, Wardle Storeys in plastics, Instem Electronics, Sarasota Technology and Carborundum Abrasives, all of which have achieved flotations in the past three years relatively quickly after being bought out, and at valuations many times their original purchase prices.

But it was not until last year that the phenomenon really took off in the UK. According to the University of Nottingham's Centre for Management Buy-out Research, 245 management teams raised £1.2bn for buy-outs in 1985, a substantial increase on the previous year. The nature of the deals being done also changed from the traditional divestments of subsidiary operations by parents to embrace wider strategic objectives.

A prime example is Haden, the building and engineering group, in which the management launched a successful £55.8m counter-bid last June to beat off an unwanted approach from Trafalgar House. That was the first time that a UK buyout had been used to fight off a predator and was also the first successful management offer for a UK public company.

Haden was notably highly geared, with £80m of debt supported by just £20m of equity capital — though that is still conservative by US standards, where buyers often borrow more than eight times their equity bases.

Prudential Insurance Company of America took up all the loan stock, showing an appetite for largely unsecured debt that has yet to be exhibited to the same extent by more traditionally minded UK lenders.

A year later Haden managed significantly to reduce its borrowings by selling its building services division — representing around two-thirds of group turnover — to BICC for £44m. It also announced plans for a stock market flotation to enable institutional backers to realise their profits.

Haden's experience highlights the fact that in buoyant stock market conditions, big quoted buyouts cannot be achieved cheaply. Its own management offer had to be at a big premium to Trafalgar House's £37.2m bid. It is also revealing that last November's £50m management offer for Molins, the quoted producer of cigarette-making machinery, failed because the group's institutional investors thought the bid too low and did not relish the idea of watching Molins return to the market a few years later at a much higher price.

This is thought to have influenced the management consortium which unveiled a successful £11.9m bid in January for Gomme Holdings, the makers of G-Plan furniture. Their 87p per share cash offer was at a 50 per cent premium to the market price.

Vendors' rising price expectations are the prime reason why the pace at which large buy-outs are occurring has slackened in recent months. The year started with a promising handful of large acquisitions, like the £80m purchase of TIP-Europe, the trailer and chassis rental business; the $100m takeover of Parker Pen; the £97m Premier Brands buyout; culminating with the £100m management takeover of Vickers in March.

Since then, big company management teams have found it so hard to produce buyout proposals that will work that few observers expect the growth in UK buyouts this year to be quite as dramatic as the 1985 explosion unless prices ease.

Mr Geoff Westmore, head of the management buyout unit at accountants Deloitte Haskins & Sells, has looked at 51 buyout proposals over the past year or so, but followed up only nine — a representative barometer of a decreasingly easy climate for large deals.

"It is very cyclical. The market has gone through a major change in the past three or four months," he says. "The big buy-outs just are not happening any more.

"It is very difficult to pull out a successful business at a price which is going to be anything like in the same street as a trade buyer."

**William Dawkins**

Scotland

# Anchor for the economy and boost to morale

THE MANAGEMENT buyout means something special for Scotland. Buyouts are almost part of regional policy because of the benefits they can bring to the Scottish economy.

The relentless decline in the traditional manufacturing base of Scotland has led to an exodus of its managers. As companies have folded, merged or been taken over by larger, outside bodies, decision making has dwindled.

This huge loss of ability has sapped Scottish confidence and allowed defeatism to take hold. The historic entrepreneurial qualities of the Scots have often given way to a cowed dependence on Westminister-backed rescuers or the initiatives of multinationals.

For those concerned with reversing this trend, increased managerial activity is today a vital element in industrial recovery. Scotland, almost more than any other region of Britain, has an identifiable economy where the impact of economic initiatives are noticed and can be measured. More managers making more decisions not only anchor more of the Scottish economy at home, they also boost morale.

"It is a useful way of repatriating decision-taking. You get a free-standing and separate management group located within Scotland. It may be a division or subsidiary of some other organisation, very often owned outside Scotland," says Prof Jack Shaw, head of Scottish Financial Enterprise, a company set up recently to promote the financial sector.

Today the buyout is seen as a real opportunity to generate indigenous companies within industries like electronics and oil. The Scottish Development Agency, the semi-official industrial promotions body would like to see management teams within the multinational electronics companies split off and form their own groups. This can also mean a readiness, in some cases, to buy the company.

The list of Scottish management buyouts is not long and lacks the growth curve of more active areas of the industrial west.

The £10.5m buyout of Exact Circuits from STC with support from 3i this year was the largest for some time and meant that along with Prestwick Circuits, two of Britain's largest printed circuit board manufacturers are now owned and based north of the border.

Other buyouts have included Caithness Glass, Carron Stainless and Carron Steelyne, the GA Group and Eskfood.

The malaise in the oil industry brought on by the fall in petroleum prices has meant US based companies in the oil supply sector have been anxious to cut costs and sell off their Scottish based, North Sea operations.

Here, the planners say, are some real chances for Scottish-based managers to make a good offer to a cash-hungry parent.

It is part of the SDA's strategy in encouraging inward investment that Scottish management will be hired by US or Japanese companies and, eventually, split off to form a new company operating in a niche area. Agency managers are also interested if the opportunity arises and a parent wants to sell, to see a management buyout.

The management buyout can anchor bits of Scotland's economy but it is hardly the everday occurrence of the south-east of Britain or the US. There have been only six or seven with values over £500,000 in the past three years.

Buyouts may be criticised as not creating any new businesses and just revitalising old ones. But in the context of a struggling economy, any positive development, even second best, is useful.

The Scottish economy is small, there are fewer businesses to be taken over and hence fewer opportunities. But the type of English or foreign-based companies that set up in Scotland are often not the ideal seed-beds for takeovers.

They may be production centres with little or no marketing or research development resources. The management of these companies might find it hard to muster the experience needed to form a viable group.

Others see a cultural problem which harks back to defeatism brought on through a generation of decline.

Prof Shaw says: "You don't, all of a sudden, create a culture where entrepreneurs jump out of the cupboard. We have a culture in Scotland which has been professional on one hand and on the other hand has been searching for security and employment."

Mr Jim Martin, of 3i's Edinburgh office, thinks along the same lines: "The environment is the main reason for not having as many entrepreneurs. It comes back to this enterprise culture which we don't have and they do have down south."

Mr Martin and others in the financial sector see it as their role to go out and dig for opportunities. Managers might beat a path to the doors of merchant banks in London but in Scotland it is the financial sector which is on the road.

3i sees opportunities coming from recession. This means making the most out of the branch economy, the Scottish outstation. "There are a lot of subsidiaries perhaps owned by companies in the south or the States and if there is going to be a recession or any cost cutting then it is usually companies up here that are affected first," Mr Martin says.

An advantage for the Scots is that they are almost over-equipped with support for the management buyout. The merchant banking, investment trust, and banking sector are in a concentration in Scotland second only to London.

The skills of the sector have often helped local managements bridge formidable obstacles such as organising their buyout or even assessing the real value of their company.

Mr Ian MacPherson of the British Linen Bank, merchant bank subsidiary of the Bank of Scotland, has found that managers are not always aware of the real value of their companies and sometimes are all too ready to accept the price demanded by the parent.

This year saw the formation of Buy Out Syndicate, a specialist body formed from the corporate services arm of Qualye Munro in Edinburgh, the Clydesdale Bank and stockbrokers Bell Lawrie.

Mr Ian Jones of Quayle Munro sees the main attraction to this growing area of finance in its security. "The management buyout area provides one of the greatest sources of sound growth of the development capital industry," he says.

However BDS has its sights mainly trained on the richer opportunities created south of the border. Mr Jones sees his syndicate as a challenge to the operations of American competition from groups like Citibank.

**Mark Meredith**

Prof. Jack Shaw, executive director, Scottish Financial Enterprise.

Wales

# Control brought closer home

COMPARATIVELY few manufacturing companies have their corporate headquarters in Wales. Boardroom management is usually located elsewhere, making key decisions affecting the fortunes of an important contributor to the local economy.

On the other hand however, the high incidence of subsidiaries of larger groups means that Welsh industry offers a large number of management buyout opportunities.

Cooper and Lybrand's Cardiff office has been making a speciality of management buyouts and negotiated a number of big deals outside Wales. A recent example was a £6.5m buyout of an electronic distribution business in Reading.

Mr. Hywel Jones, a partner in the Cardiff office, says that he and his colleagues have four in the pipeline. He is confident that the trend is not just a passing fad.

3i's South Wales office is also keen to encourage the trend. It has just held a seminar in Cardiff Castle on management buyouts to draw attention to the opportunities. Mr. Charles Richardson, the office manager, says they are looking at half a dozen buyouts involving financing of £2m to £5m.

"The popularity of management buyouts with private sector sources of equity funding means that the Welsh Development Agency has tended not to become greatly involved. Since it was launched just over a decade ago, the agency has done only 10, most since 1981.

There is a lot of private sector money chasing them because, compared with start up companies, they have an established, proven management and only a 10 per cent failure rate. We are happy not to compete," Mr Steven White of the WDA investment department explains.

That said, at least two management buyouts involving the WAD's recently launched Welsh Venture Capital Fund in a syndicate financial package are currently under discussion.

The Welsh Office sees management buyouts as helping to strengthen the Welsh industrial base by bringing decision-making and control closer to home. Buyouts can also help to keep proven management teams together which may ultimately expand and create new job opportunities. However by their nature, most buyouts tend to be of well-established business products which are not able to expand markets dramatically.

Welsh Office officials stress that they cannot pay selective financial assistance simply to assist a change of ownership. They have to be satisfied that employment at the Welsh subsidiary is threatened before they can agree to put any taxpayers' money into supporting a buyout. But, in practice, the circumstances presenting the opportunity for a management buyout usually involve uncertainty over future employment prospects. and all those who have gone to the Welsh Office to seek assistance pay tribute to the help and encouragement they have received.

A good recent example has been a management buyout of Powell Duffryn's engineering subsidiary at Llantrisant, Mid Glamorgan. PD Engineering manufactures hydraulic equipment for skip container and refuse vehicles.

In its fight against a take-over bid by Hanson Trust, the Powell Duffryn group decided to sell its PD Timber subsidiary, the managing director of which represented the engineering subsidiary on the main board.

Mr Ian Turner, PD Engineering's managing director, quickly recognised that the business no longer fitted in with the group's activities and, with Mr John Clowes, sales director, offered to undertake a management buyout of the company, which was accepted.

The business, which has a turnover of £4m, had to run into difficult times in the early 1980s, cutting the payroll from 350 to 87. But by 1984, it was back on an even keel and trading profitability.

No immediate expansion or increase in employment was planned, hence there appeared no case for Welsh Office assistance. However, on the basis of financial projections by Coopers and Lybrand and an equity, preference share and loan package provided by 3i, the Welsh Office agreed to chip in some grant aid to protect jobs. The fear was that if the management buyout had not gone ahead, the subsidiary might have been vulnerable in the longer term to a competitor in the hydraulic equipment business, and a subsequent loss of jobs.

Mr Turner says that he found the buyout a relatively painless task though time consuming and drawn out. They had been treated fairly by the parent group, to the point that part of the deal included a loan and a licensing agreement for a major component which continues to be supplied by a Powell Duffryn subsidiary in the Netherlands.

This was presenting problems because of the decline in sterling and he was now seeking approval to manufacture the component in the UK. Otherwise, the only residual problem resulting from the buyout was the fact that the premises are too large, Mr Turner added.

Another long-standing corporate presence in Wales was STC and its break up led to two management buyouts. One is Recsam Components, formerly STC's Wound Capacity subsidiary, which was purchased by five local managers in April last year for £900,000.

The buyout team received financial backing from the venture capital arms of N.M. Rothschild and Close Brothers and Clwyd and Wrexham-Maelor councils, as well as from the Welsh Office. The financial advisers, and now the new company's auditors, were the Bristol office of chartered accountants Arthur Young.

A number of Welsh management buyouts have been triggered by receiverships. One of the most notable recent examples was a management relaunch two years ago of the core business of Mettoy as Corgi Toys.

That it happened at all was a great surprise. Mettoy was one of several British toy manufacturers driven to the wall. A number of its seemingly profitable future businesses had been sold in a bid to avert bankruptcy, most notably its Dragon Data Computer subsidiary. What remained seemed hardly likely to attract equity funding from the City of London.

On the other hand, the Welsh Office recognised that the impact of closure on local employment prospects was serious. Mettoy's Swansea site had employed more than 1,000 people. So when Mr Mike Rosser, the present managing director and some colleagues, came up with a management buyout plan, it received sympathetic consideration.

A package deal comprised £1m in equity, the management providing £140,000 and Electra venture capital fund contributing £860,000 in convertible preference shares. Some £1m in selective financial assistance was promised from the Welsh Office in three tranches—£500,000 at the time of acquisition and £250,000 in each of the following two years.

A long term loan of £400,000 was repayable over 10 years from 3i, and a £300,000 overdraft facility provided by Lloyds Bank.

The relaunched business is now going from strength to strength. The new management has revamped all aspects of the business, particularly design and marketing. But it remains essentially a manufacturer of traditional Corgi die-cast toy vehicles.

**Robin Reeves**

The Swan Hunter Shipbuilders buyout team at the Wallsend shipyard.



The North

# Erosion of London's dominance

THE number of management buyouts has been increasing rapidly in the old industrial heartlands of northern England. The trend is likely to have a more far-reaching effect, however, than anyone thought only a few months ago. The reason is that it has given Manchester a chance to prove itself as the north's financial capital.

Most management buyouts now involve £1m or more. In the past this would have almost certainly meant that the financial package would have been put together in London, with institutions probably knowing relatively little about local conditions—and certainly not putting in "local" money.

This year, however, 3i's Manchester office has been involved in 12 management buyouts, all syndicated locally. Mr Peter Folkman, the man in charge, regards that as a triumph.

Last spring he was a leading force in putting together an informal grouping of local agencies and national institutions with large regional offices in the north to handle syndications.

Other prominent members are County Bank, British Linen Bank, merchant bankers Rothschild and Hill Samuel, the Greater Manchester Economic Development Corporation, and Lancashire Enterprises.

Along with the major accountancy practices, which all have large offices in the north, the members of the syndicating group are founders of the Manchester Financial and Professional Forum. The body also includes local solicitors, surveyors, actuaries and stockbrokers. It is chaired by Mr Fraser Grant, senior partners of accountants Spicer and Pegler.

There is widespread concern in the north about London's over-domination of Britain's capital markets. Indeed, the lack of a large and active capital market in Manchester has long been seen as a structural weakness affecting the whole north.

The Forum, and the opportunity it has provided to bring people together more easily, has helped set common objectives that are in everyone's interests without taking the edge off normal competitiveness. Establishing the group of institutions for syndicating financial packages has been one result.

What the potential syndicators then needed, however, was a market. The increasing popularity of management buyouts has provided that. Mr Folkman says: "Buyouts are a super business as far as 3i is concerned. The institutions have seen this as a good market. Things are coming up now which would not have done two or three years ago.

"Syndications are getting bigger. We are dealing with many larger transactions rather than lots of small ones and we have a better chance than ever of keeping all the financial and professional business involved in the north."

Mr Peter Evans, of Peat Marwick's Liverpool office, says there are advantages in the north from the variety of sources of finance and available. The finance companies set up by British Coal and British Steel to help job creation are another source, while government grants for capital equipment in assisted areas can be a crucial help.

Local authorities can also be important. In one buyout Knowsley Council eased the early cash flow of a company with a rates holiday.

"The variety of sources available locally makes it easier to put together a package of, say, £1m," Mr Evans says. The management doing the buying-out may only have to find one-tenth of this and Peat's has been marketing the idea of buyouts to managers.

"We are picking up people already thinking about it," he says. "If management has not already got it in mind, they should not be doing it. A buyout turns on management incentive and reduced overheads.

"We have advised people who have not been up to it. Usually what we have tried to do is to say, 'You have someone in your team who might not be able to take the pressure. Do you really want them on the board?'

"The whole team has got to be capable. The need is usually to combine leadership from the chief executive with good support from the managers in charge of finance, production and sales."

Mr Evans admits that self-interest is a strong motivator for Peat and the other accountancy firms selling their expertise. It wins them clients, who unlike the normal small business, job-creation newcomers, are likely to grow fat.

But there are risks. "The only trouble with management buyouts is that if one does not go ahead, you go down. The resources we put in are at risk. You cannot charge the managers if it all falls down," he says.

Both he and Mr Folkman stress that a potential buyout does not have to involve an immediately profitable business. "Nor are interest rates the key thing," Mr Folkman says. "It is cash flow. While profits are important, cash flow is much more so because that is what you need to service debts and to start to repay them."

In one buyout on Merseyside of a furniture company that had started as an internal service unit, making window frames, on a big-company, multi-centre site, the key was to get the business into single premises. It had been spread all over its former parent's site with its production line in five places.

Getting the 60 workers under one roof saved money immediately merely by reducing the opportunities for theft by outsiders.

One high profile buyout in the north has been Optare's formation at the Leeds factory of Charles Roe, the old British Leyland busmaker. This was supported decisively by the West Yorkshire Enterprise Board and might not have occurred if London finance had to be relied upon.

Under its new team, the company has produced a radical design for a 20 mpg small bus that will have its acid test when bus services are deregulated this month. It got from drawing into production in only a few months, a process that would have taken years under British Leyland.

In the north-east, the most important management buyout this year was of Swan Hunter from British Shipbuilders. Four senior managers led 32 others, with the main financial backing syndicated among seven leading institutions headed by Globe Investment Trust and Candover Investments.

Since the company is a warship builder dependent on government orders it is a high-risk venture. However, the new ownership structure has forced a different reality on the workforce from its days of state subsidy. A new climate of labour relations has emerged, and with it new working practices that give the company every chance of profitable survival and re-entry into export markets.

**Ian Hamilton Fazey**

# Starting with a handful of firsts

SCHRODER Ventures has been in existence for less than two years, but it has rapidly established itself among the leading deal-makers in British management buy-outs.

It was set up in January 1985 as the venture capital arm of J. Henry Schroder Wagg, one of the City's top merchant banks, and its speedy growth has been due in no small measure to Jon Moulton, the man Schroder *headhunted to lead the new* unit. Moulton had previously been general manger of Citicorp's important UK venture capital arm, and brought to Schroder a wide knowledge of the British buy-out scene.

Schroder Ventures therefore hit the ground running. Its very first buy-out, in the spring of last year, went into the record books on several counts. The deal was the successful £56m bid by a management consortium for the Haden engineering group in the face of a rival £37m contested takeover bid from Trafalgar House.

It was the first buy-out of a quoted company in the UK; it was also the first time (and still is) a British company had successfully mounted a buy-out as a defensive tactic in a takeover; and it brought an important American investor, the Prudential, into UK buyouts for the first time, and as a provider of mezzanine finance.

But despite originating the deal, Schroder Ventures could not participate in it directly since the corporate finance arm of the merchant bank was adviser to Haden's shareholders, creating a potential conflict of interest.

**Profile**
**Schroder Ventures**

Other major deals it has been involved in since then include the £90m buy-out *of Mallinson-*Denny from Unilever (as joint lead equity investor with the Coal Board pension fund) and the $100m buyout of Parker Pens from its US parent (where it led the financing in a particularly complex deal spanning 23 countries).

And a particularly high profile operation was its leadership of the buy-out consortium which bid for Land Rover, until the Government finally decided the company was not for sale.

Schroder Ventures now has £100m of funds under management for equity investment. Of that, £25m is earmarked for venture capital operations, while £75m has been committed to a fund for larger buy-outs, of which £15m has been drawn *down so far.*

During the past year it has made 13 investments in buy-outs, but that figure includes two second round financings and a growing number of management buy-ins — where a new management team is injected into a company as part of a financing deal.

The unit is also spreading its network internationally. Schroder had been active in the US venture capital market for several years before it established the UK team and Moulton himself has spent some time working in America. Schroder Ventures now also has operations in West Germany — where it has just established a buy-out fund — and in Canada and Japan.

Aged 35, Moulton is a chemist by training who became a chartered accountant, concentrating mainly on receivership work — a useful analyfical experience for his present job. He joined Citicorp's leveraged buy-out operations while working in New York. He came in London in 1981 when the bank decided to set up a venture capital arm in the UK and became general manager of the unit two years later.

Three other professionals (probably to be joined by a fourth) work with him in the larger buyouts team, and they have backgrounds in retailing merchant banking and accountancy.

Schroder Ventures, he stresses, is "not fee driven, it is investment driven. If we didn't have that culture we would rapidly have been drawn into the bank's corporate finance unit." In other words, the prime motivating force is picking the deals that will provide a good return on the investment when the business is sold or comes to market.

Moulton acknowledges that in the first half of this year such deals were not that easy to find. The stock market boom has meant particularly high ratings for the paper of quoted companies, which they have used in several instances to top bids from management groups organised by Schroder. Nevertheless, he adds that the flow of potential deals coming to the *unit is still "very encouraging,"* including what could prove to be some extremely large transactions.

**Martin Dickson**

Paul Soldatos, head of Manufacturers Hanover's new special financing division in London plans to bring a strong US flavour to the structure of buyouts. The group aims to establish in Europe the leading role it has across the Atlantic as a supplier of bank finance for buyouts.

# Latecomer ships its reputation to Europe

GEARING, like beauty, is in the eye of the beholder — at least to the men at the City of London branch of Manufacturers Hanover.

Nicknamed Manny Hanny, this is the latest big US bank to have jumped onto Britain's lucrative management buyout bandwagon. Manny Hanny reckons to be the largest supplier of bank finance for buyouts in the US, being involved in almost every deal with a purchase price of more than $300m. And it plans to establish a similar position in Europe.

It is therefore no surprise that Paul Soldatos, head of the London branch's newly formed special financing division, plans to bring a strong US flavour to the financial structure of buyouts that come his way.

Some of the larger US buyouts have attracted some astonishment in conservative City circles with their balance sheets apparently creaking under the weight of eight or ten times as much debt as equity. Even the US Federal Reserve Board has made warning noises about over borrowed buyouts.

But many of these deals are not quite as heavily geared as they look, argues Soldatos. It all depends on where you draw the line between debt and equity in the grey area between the two kinds of funding, known as mezzanine finance. US bankers, he explains, usually count preference shares as debt, which gives higher gearing levels than their counterparts in Britain, who would tend to count preference shares as equity.

Even so, says Soldatos, the difference between traditional British buyout finance and what he has to offer is more than cosmetic.

"Five years ago, buyouts were tending to go at a discount to book value, so that the need for bank debt was not particularly high.

"Even today, British banks tend to lend against the value of tangible assets. Now that buyout prices are increasing, more businesses will also need to borrow against their cash flow. Leverage is really a function of cash flow and management — and that is where our skills are."

Manny Hanny specialises in what it calls senior debt, or term loans to British bankers. The group is unusual in that few banks run specialist departments for management buy-out debt financing, though Manny Hanny has the disadvantage of having arrived rather later on the British buyout scene than

**Profile**
**Manufacturers Hanover**

other US banks like Citicorp or Bankers Trust.

That was partly — though not completely — deliberate because Manny Hanny aims to work alongside rather than compete against established suppliers of equity capital for buyouts like Schroder Ventures, Candover Investments or even Citicorp Venture Capital. And Soldatos feels that the need for US style debt finance for British buyouts has only just begun to develop.

A classical example of the type of deal he is looking for is the £97m takeover of the Cadbury Schweppes food and beverages division, where finance was provided just as much on the intangible strengths of the group's brand names as on the value of its assets. However, that deal was concluded before Soldatos's arrival in London in May.

**William Dawkins**

# Horned in by bull market

THE infectiously enthusiastic Mr Roger Brooke, chief executive of Candover Investments, is the doyen of the British management buyout movement and it is thus only fitting that his company should be one of two partners in the biggest fund yet established in Britain to finance such deals.

The fund in question is the £260m Electra Candover Direct Investment Plan which was set up late in 1985 by Candover and the Electra Investment Trust, pooling money drawn from over 35 British and American institutions. The main focus is on larger buyouts, where the total amount of equity exceeds over £10m.

But nearly a year after its creation the fund has yet to make an investment. "The problem is not that we have not seen deals," says Mr Brooke, "but in every case we have been outbid fairly early on by trade buyers (ie, other companies)." And this, he argues, is in large measure the result of the mature bull market, with companies flush with cash and high-priced paper.

However, there is not quite the same degree of competition for smaller deals — in the £5m to £10m range — and in less fashionable sectors. And Candover, which has some £60m of funds under management for these kind of transactions, has continued to make investments in them throughout the year.

The intense competition is a long way removed from the economic circumstances of 1980, when Mr Brooke established Candover with £2m of loans and £100,000 of equity from institutions. At that time buyouts were almost unheard of in Britain, but Mr Brooke had tapped a very potent idea. In the midst of a recession, and with companies strapped for cash, Candover soon found that managements could buy their businesses at very reasonable prices.

And the rapid success of some of its earliest investments — such as DPCE, the computer maintenance company which came to the market in 1983, and Famous Names, the confectionery company ultimately bought by Imperial Group — gave a strong fillip to the movement.

Candover, which is staffed by seven professionals, itself came to the market in late 1984. There were three main reasons: to give it added status when dealing with companies; to give the original backers a market for their stakes; and to give Candover the advantages of specialist investment trust status, thus avoiding capital gains tax.

It has performed well since

**Profile**
**Candover Investments**

then: net assets attributable stood at £14.18m, or 198p a share, at the end of 1985, up 18 per cent, and it recently reported a further 13 per cent rise to 223p at the half year. Pre-tax profits last year rose 73 per cent to £756,000 and in the first half of this year they were up 61 per cent to £419,000.

Aged 55, Mr Brooke came into the buy-out business after parting company from EMI, where he had briefly been group managing director, following its takeover by the Thorn Group.

*Casting* around for fresh employment, he was asked by Michael Stoddard of Electra to look into the leveraged buy-out phenomenon in the US and came back convinced the same could be done in the UK. Electra put up much of Candover's initial funding, and the two have worked very closely ever since.

Candover's first special fund — the Hoare Candover Exempt Fund — was launched in 1984 in partnership with brokers Hoare Govett, and was aimed at smaller deals involving investments of up to £700,000. The £7.5m subscribed is now fully invested (and has enjoyed an uplift in value of about 45 per cent), and Candover is planning to launch another fund for smaller buyouts.

The next step, says Mr Brooke, is geographical diversification. Last year Candover took a 40 per cent stake in Lombard Investments, a company set up in San Francisco to organise and invest in medium-sized buy-outs on the US West Coast.

It is also looking at similar arrangements in Continental Europe.

As for the UK, he says the Electra Candover fund is currently considering two large deals which are likely to come to fruition, and the trend for big buy-outs will continue: "We have *looked at a £500m* buy-out which would have been financeable."

**Martin Dickson**

# Out of adversity and into acquisitions

**Profile**

**Wardle Storey**

MANAGEMENT buyouts are often associated with management's yearning for freedom and autonomy. Yet the buy-out which formed Wardle Storeys, the chemicals concern and one of the most successful buyout companies, was born in adversity.

The story begins in 1980 when Mr Graham Ferguson Lacey, the controversial financier, mounted a much publicised takeover bid for Bernard Wardle, the publicly quoted vinyl textiles manufacturer which had lurched into losses in the late 1970s through its exposure to the car industry.

To the accompaniment of newspaper headlines such as "Lacey loose with an open cheque book" and "Lacey up to his old tricks"—and a Stock Exchange inquiry into share dealing prior to the bid—Mr Lacey won control of Bernard Wardle and merged it with one of his unquoted companies, NCC Energy.

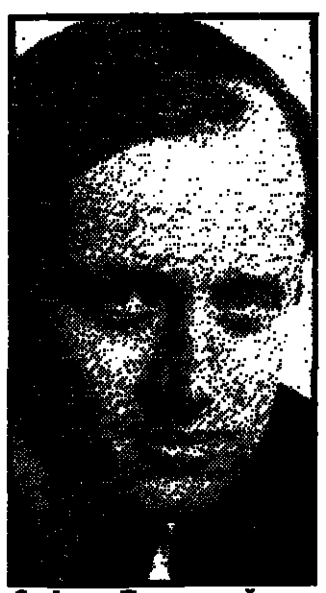
Bernard Wardle gained a new management team, headed by its present chief executive Mr Brian Taylor. A cost cutting programme was implemented and by the end of 1981 the company broke into operating profit. But borrowings were high and Bernard Wardle was incompatible with NCC Energy's other activities. By early 1982 the company needed an urgent injection of capital which NCC Energy was unwilling to provide.

"Bernard Wardle had turned the corner and was back on a firm footing again," says Mr Taylor. "But the bank was becoming edgy, we needed to find new money and our parent company either would not or could not give us the investment we needed. Organising a management buyout was an obvious option."

In 1982 Bernard Wardle's recovery looked, at best, precarious. Convincing venture capitalists that the company could become a sound investment proved to be much more difficult than Mr Taylor had supposed.

"We put together a thorough presentation of the company, covering its development and future prospects," he says. "I spent a great deal of time traipsing from office to office in the City. But most of the time the answer was 'no'."

Eventually Citicorp Development Capital—the venture capital arm of the US investment bank—agreed to orchestrate the buyout. Citicorp assembled an investment syndicate of Electra, the venture capital concern; Hill Samuel, the merchant bank; and the British Rail Pension Fund.



Graham Ferguson Lacey started the process which was to lead to the buyout

Collectively the four investors provided capital of around £5m, to buy the company out of NCC Energy and to repay its bank borrowings. Each of the four investors, and Citicorp, nominated a main board director and Mr Clive Clague from Electra became chairman.

Within weeks of the buyout's completion Bernard Wardle bid, successfully, for its chief competitor, the loss making PVC sheeting manufacturer, Storeys Industrial Products, which was then part of the industrial group, Turner & Newall. When the acquisition was completed Bernard Wardle embarked upon a stringent rationalisation programme and rechristened the combined companies, Wardle Storeys.

Wardle Storeys produced a profit that year, with pre-tax profits of £974,000 on turnover of £30m in the 14 months to August 31 1983. The following year it produced pre-tax profits of £3m on turnover of £40m and announced its intention to return to the stock market.

The company went public in autumn 1984 with a market capitalisation of just over £20m. But Wardle Storeys sold itself to the City not as a revitalised manufacturer of plastic sheeting but as an acquisitive would-be holding company.

"Wardle Storeys promised the market not only organic growth but that it would make a number of sizeable acquisitions fairly swiftly," says Mr Steven Abbott, a chemicals analyst with the stockbrokers, Laing & Cruickshank. "The market had to wait a while, 18 months in fact, for the first acquisition, but when it arrived it was a goodie."

In April this year Wardle Storeys offered £22.8m for the parachute and rubber dinghy manufacturer, the REF Group. RFD rejected the bid and drafted in the industrial holding company, Scapa, as a 'white knight.' But Scapa was only interested in specific parts of RFD's operation, and these were the activities least likely to appeal to Wardle Storeys. The two companies struck a compromise whereby Wardle Storeys would win control of RFD—for the larger sum of £29.2m—in return for selling specific parts of RFD to Scapa for a fixed sum of £14.5m.

Scapa duly bought the textiles and cable components divisions. Wardle Storeys also renegotiated the sale of some RFD property for a higher sum and is now in the closing stages of disposing of RFD's defence interests.

"So Wardle Storeys has ended up with a parachute and rubber dinghy manufacturer with profits of £2m a year on sales of £20m for roughly £2m," says Mr Abbott. "At this rate it will become a Hanson Trust in microcosm."

Like Hanson Trust, Wardle Storeys has been intent on pursuing organic growth as well as growth by acquisition. Analysts anticipate pre-tax profits of £5.5m when the company's results to August 31 are unveiled and of £9m in the current financial year.

The Wardle Storeys' share price has soared since its flotation. Today the company is valued at more than £85m although its market rating relies more on the promise of Hansonesque acquisitions than on the profit potential of plastic sheeting.

The City is now waiting for the next acquisition. "Wardle Storeys has very clear criteria," says Mr Abbott. "It is not interested in glossy successes, it wants dull old businesses that it thinks will give a good return on investment. Poor cashflow, over manning, too much working capital invested, shares trading at a discount and weak management . . . these problems are typical of many of the sunset industry companies."

By the end of 1986 Wardle Storeys should sport a cash surplus of £20m and the company is now scouting about for bid targets worth between £50m and £60m, probably in the UK but with export potential to the US and Europe.

"Finding the right target takes time," says Mr Brian Taylor. "But we are looking actively and hope to make our move fairly soon. The next target may well be rather bigger and come rather sooner than people think."

**Alice Rawsthorn**



## TOP UK BUYOUTS

### 1986

| BUYOUT | FORMER PARENT | BUSINESS | PRICE (£m)* | MONTH |
|---|---|---|---|---|
| Allied Entertainment | Knoick Leisure | Entertainments | 7 | Mar |
| Basegolde | Dunlop/BTR | Vinyl and carpet flooring | A | May |
| Bees Transport | Lex Group | Transportation | A | Jan |
| Carpet Express | Lex Services Gp | Carpet transportation | A | Jan |
| City Merchant Deposit | Guinness Peat | Property development and investment | 18 | Jan |
| Cundell Industries | Marden Packaging | Corrugated packaging materials | 12 | Apr |
| Devon General | National Bus Co | Bus services | A | Aug |
| English Cntry Cottages | Private | Holiday rentals | A | Mar |
| Evans Medical | Glaxo | Manufacture commodity generic drugs | 27 | Aug |
| Exacta Circuits | STC | Pcb manufacture | 10+ | Apr |
| F & H Group | Founder/Family | Control and management information systems | A | Jul |
| GBE International | AMF International | Manuf eqpt for tobacco and food processing inds | 28 | Jan |
| GKN Fasteners Division | Maxster Corpn (US) GKN | Woodscrews and fasteners | 11 | Jan |
| Godfrey Holmes (Cardiff) Ltd | UBM Motors | Ford dealers | A | Jan |
| Gomme | Gomme plc | Furniture | 12 | May |
| Gothic Crellon | Thorn EMI | Electronic compnts distn | 5 | May |
| Hamper People Ltd | Family sale | Quality food and wine hampers | 8 | May |
| Hydroquip Ltd | Measurement Devices Ltd | Offshore survey equipment hire | n/a | April |
| Impak Foam and Rubber Group | Private | Plastic Foam Manufacturer | n/a | Jan |
| Jeyes Hygiene | Cadbury Schweppes | Hygiene prods | 11 | Mar |
| Kirkwood & Ptnrs | Lopex | Advertising Agency | n/a | Oct |
| Lakeland | Kennedy Brooks | Restaurants | B | April |
| Leader Lift Trucks | Leigh Industries | Mechanical Handling | B | Sept |
| M4 Data | Thorn EMI | International computer tapes | 6 | Aug |
| MHS Holdings | J. Rothschild | Engineering | A | April |
| Nestor BNA Ltd | Eagle Star | Nursing homes | 15.3 | May |
| Norwest Holst | Raymond Slater | Property construction | 48 | May |
| Park Air Electronics | STC | Ground-to-air equipment | 7.7 | Feb |
| Parker Pen | Parker Pen US | Pens | 72 | Feb |
| Partco | Burmah/Quinton Hazell | Motor components distribution | 9 | July |
| PD Engineering | Powell Duffryn plc | Suppliers skip and waste refuse container vehicles | A | June |
| Premier Brands | Cadbury Schweppes | Food products | 97 | May |
| Radiation Dynamics | Monsanto (US) | Linear accelerators | A | Mar |
| Raybeck | Raybeck plc | Fashion retailer and mnfr | 21.6 | Mar |
| Swan Hunter | British Shipbuilders | Warship yard | 5 | Jan |
| Technitron | Dynamics Corpn (US) | Distribtn computer and instrumentation equipment | 29 | July |
| Tip-Europe Ltd | Gelco Corporation/ Transport International Pool Inc (US) | Trailer rental and leasing | 60 | June |
| Trend Communications | Plessey plc | Data communications equipment | 7 | Aug |
| Unipart | Rover Group | Vehicle spare parts | 30-50 | n/a |
| Vickers Shipbuilding | British Shipbuilders | Shipbuilding | 60-100 | Mar |
| Wolverhampton Steam Laundry | Private/Family | Laundries | n/a | Mar |

### 1985

| BUYOUT | FORMER PARENT | BUSINESS | PRICE (£m)* | MONTH |
|---|---|---|---|---|
| Arvikmid | Private/Family | Mnfr of home wine making kits | 5.3 | Mar |
| Apollo Metals | Private/Family | Stockholder and processer of aluminium | A/ | Sept |
| Aquaculture Vaccines | Private/Family (US) | Mnfr of fish vaccines | C | Dec |
| AJ Archer & Ptnrs | Alexander Howden | Lloyds underwriting agency | 10.0 | Feb |
| Ayling Truck Services | Ryland | Commercial vehicle distributor | C | Aug |
| BAJ Holdings | Vickers | Defence engineering and mnfr | A | June |
| Beauty International Fragrances | Private/Family | Mnfr and distr of fragrances | 6.0 | Dec |
| Brooke Marine | British Shipbuilders | Shipbuilders | A | May |
| Brymon Airways | De Havilland Canada | Airline | 9.0 | Dec |
| CAP Group | BTG | Computer software | 5.5 | Feb |
| Caradon | Reed International | Building materials | 66.2 | Oct |
| Computing Devices | Control Data Corp (US) | Avionics computing systems | 7.5 | Dec |
| Consafe Engineering | Consafe** | Engineering | n/a | Oct |
| Crest Packaging | Bowater | Flexible packaging and cartons | n/a | Feb |
| Cullens Holdings | Buy-in | Convenience stores | 10.0 | Jan |
| Dayville Holdings | Ladbroke Group | Retailer of American style ice-cream | Conf | Oct |
| Ellerman Lines/ Endebrand | Barclay Bros | Shipping | 11.1 | Dec |
| European Industrial Services | GKN | Mnfr & distr of screws and fasteners | 11.5 | Dec |
| Evans Halshaw Holdings | LCP Holdings | Motor distributor | 9.0 | Jan |
| Financial Weekly | BPCC | Newspaper | B | Sept |
| Freezrite Frozen Foods | Private/Family | Retailer of frozen foods | A | Feb |
| Garage Equipment Maintenance | Dunlop Hldgs | Supplies and services garage equipment | C | Aug |
| Garrion Homes | Gallemose** | Mnfr of timber frames for house construction | C | May |
| Goldline Remoulds | Quinton Hazell | Tyre remoulding | C | Aug |
| House of Carmen | Morphy Richards | Mnfr of personal electrical appliances | B | Oct |
| ICC Electronics | Servis** | Mnfr of integrated circuit controls for domestic appliances | C | Sept |
| Isis Plant/ Isis Forklift | Isis Group | Forklift trucks | n/a | Jan |
| KDG Instruments | Cons Gold Fields | Mnfr of pressure, flow and level instrumentation | 13.0 | Dec |
| Langley Holdings | Law & Bonar | Corrosion resistant alloys | A | Sep |
| Lloyd International | Private/Family | Mnfr and dist of scientific instrmnts | A | Dec |
| Mallinson Denny | Unilever/Brice Bud | Timber importers | 90.0 | Sep |
| Mansgood | Haden | Bldng and engineering | 58.0 | Jul |
| Mecca Leisure | Grnd Metropolitan | Entmnt activities | 97.5 | Dec |
| Melville Technology | Buy-in | Mnfr of measurement machines | A | May |
| Newage Transmissions | Charterhouse | Mnfr of gearboxes and transmissions | A | Jul |
| Norfolk Smokehouses | Express Dairy UK | Supplier of smoked meats | C | Aug |
| P&O Computer Services | P&O | Computer Services | C | Jan |
| RDB Freight Lines | Private/Family | Road transport contractors | B | Jul |
| Recsam Components | STC | Mnfr of capacitors | 6.9 | Jun |
| Savage Group | Private/Family | Mnfr of adjustable shelving systems | A | Apr |
| Sealocrete | Private/Family | Speciality chemicals | A | Jun |
| Sharpstow Chem Co | Guinness Peat | Industrial chemicals | C | n/a |
| Sherwood Holdings | Inchcape | Commercial vehicle distr. | B | Jan |
| Spafax Television | Spafax Hldgs | Prodn of training videos | A | Jun |
| Speyworth | BET | Toxic waste disposal | A | Dec |
| Charles Turner Management | Courtaulds | Mnfr of paper products | A | Apr |
| Viscose Closures | Sponfex/Chargeurs de France | Dist of closures | A | Jan |
| Vosper Thorneycroft | British Shipbuilders | Shipbuilders | 22.0 | Oct |
| Wades Dept Stores | ASDA | Furniture retailer | 19.0 | Jan |
| Ware Anthony Rust | Bartlett Ray & Jarvis | Advertising agency | C | Oct |
| Watsonian Sidecars | Private/Family | Mnfr of motocycle sidecars | n/a | Jan |
| Westbury | Private/Family | Residential construction | 12.0 | Apr |
| Westminster Audio Communications | Tannoy/Beatrice Foods (US) | Tannoy system hire and rental | C | Feb |
| Westover Motors | Patrick Motors | Motor dealers | A | Jan |

* "Price" is the total purchase price of the company plus the working capital where that information is available.

Size ranges: A £1 million-£4.9 million. B £500,000-£999,000. C £100,000-£499,000. D Less than £100,000. ** Indicates that the former parent was in receivership at the time of the buyout.

*Source: J. Coyne and M. Wright, UK Management Buy-out Review, Venture Economics/Centre for Management Buy-out Research, 1986.*

# Export orders fastened up

EIS ARE the initials that replaced GKN when the managers of the West Midlands-based industrial fasteners division bought the business from Guest Keen & Nettlefolds for £11.6m at the beginning of this year and became European Industrial Services.

GKN, anxious to seek growth in specialised and international markets, was happy to divest itself of this heavy loss-maker in a troubled traditional industry. Strangely for an industry upon which the wealth of 19th century Birmingham was built, exports had not been important.

Now Mr John Huband, the extrovert managing director, is able to report not only that his company has closed the 30 per cent price differential with Far Eastern competitors but that he is able to beat them on delivery and reliability in Europe.

Such success is the more poignant given that cheap imports, particularly from the Far East, have swept away much of UK capacity and jobs.

GKN Fasteners in little more than a decade saw its share of the UK sectors it served slide from 75 per cent to 38 per cent. Employment at the famous works in Heath Street, Smethwick, has slumped from more than 3,000 to less than 500 over the past five years.

Mr Huband says workers are being recruited again, largely because of success overseas. Exports are projected to climb from £2m to £3m this year. A big contract has been won from France and under a deal with a West German company some £1m worth of fasteners will be shipped from the Smethwick factory over the next 14 months.

Mr Huband maintains that EIS can match the Far Eastern competitors on price and beat them on lead times and reliability of delivery. He concedes that movements in exchange rates have been a factor in making EIS more competitive but points to the investments and management changes at the Smethwick factory as the real reasons for sales success.

Negotiations for the buy-out by six directors and seven senior managers took nine months. The plans and financial projections filled a volume five inches thick.

Mr Huband, a graduate in industrial relations and law who flirted with a career in television, had been with GKN for 10 years and as head of the

**Profile**
**EIS**

fasteners operation saw the benefit not only of the manufacturing facilities but also of the distribution network of independent stockists.

EIS acquired both the UK operations and distribution companies in Belgium, Holland and France. The growth target is to take advantage of the present computer-controlled distribution system to expand the range of products and the customer base.

Mr Huband says that EIS in the first full year, with a turnover of around £32m will have "turned the business round from a substantial loss to a respectable net profit."

He acknowledges one factor in the dramatic switch is the cut in interest charges. He says that servicing the "theoretical debt" as part of the GKN group was far more onerous than the real debt as an independent company.

But the real benefits have come from pushing increased volume through the modern production facilities now manned at competitive levels. A £10m investment began in 1980 to transform the Smethwick factory from a traditional labour intensive operation to "the modest modern and largest screw-making facility in Europe," with a capacity to make 70m fasteners a week.

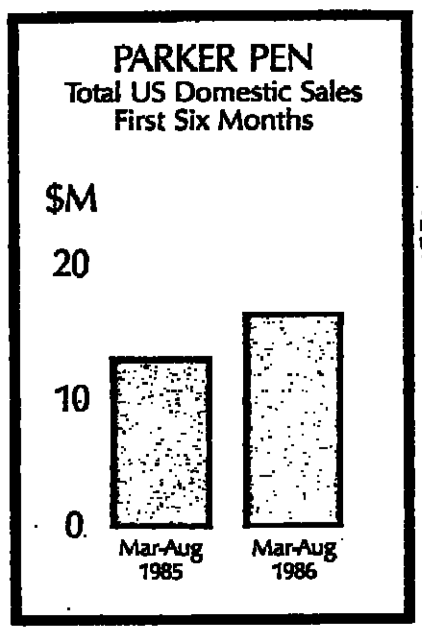
The investment offers proof that even an industry which boomed in Victorian times can still return profits after the necessary injection of new technology and manufacturing processes. Producton has been accelerated, wastage reduced, work in progress cut and quality raised.

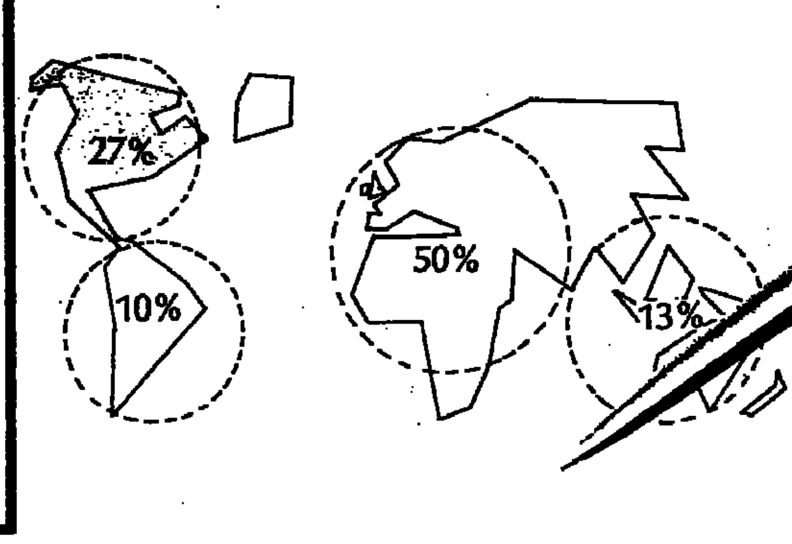
Mr Huband concedes that the headcount might have been cut too slowly over the past two years to take advantage of the new investment, but says the economies are now really beginning to flow. He points to the flexibility of workers in accepting new practices and to the opportunities as an independent company to introduce new pay systems.

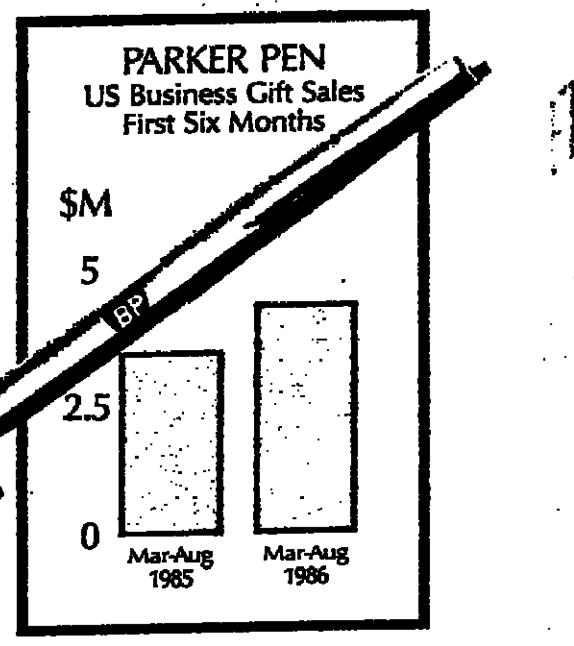
As part of GKN any initiative on industrial relations had to take account of the implications for other companies. EIS is now talking to employees about a payments scheme related to value-added, under which workers will have a clear idea of profitability and how much money is available for distribution in wage packets.

Morale within the new company is clearly different from being part of a large, albeit successful group. Mr Huband admits that EIS might have suffered from coming from a sector "not considered sexy." But he is looking for growth and new opportunities. He suggests that within the next three to five years EIS will be again seeking new capital to maintain the impetus achieved.

**Arthur Smith**




# Pen company's future rewritten

THERE ARE no bits of old bikes, half-empty paint pots or balding yard brooms in Mr Jacques Margry's garage—just a car. The signs of his tidy mind are equally obvious in his office at Parker Pen in Newhaven. His desk top seldom contains anything other than the matter in hand.

This foible stood him in good stead during the tense six months between mid-1985 and January this year when he signed a $100m buyout agreement which split Parker from Manpower and brought the world's leading quality pen maker from Wisconsin to a Sussex town.

His natural sense of discipline and order shows again as he recalls the strict sharing of responsibilities imposed as he worked towards his goal. The aim was to draw the best of the existing management into the buyout team. As head of the UK-based European operation—the most successful in the group—he knew who he wanted.

Warning the buyout consortium that they would have to mortgage themselves to the hilt and work as never before, he divided up the responsibilities.

He and a small headquarters team would immerse themselves in the technicalities of the buyout. Driven on by their advisers, Schroder Ventures and Cockman Copeman, they found themselves working 18 hours a day for six months.

Apart from their having no previous experience, the deal was complicated by the fact that the Parker empire was spread across the world. Every detail had to be checked and checked again: where were the boundaries of the Mexican factory? Were the pension funds in order? Was there any outstanding litigation for putting ink in the water supply or wrongful dismissal?

"The beauty of it is that when

**Profile**
**PARKER**

you start you don't know what you are in for," he says.

The rest of the consortium meanwhile, had to concentrate entirely on keeping up sales. "You need people to continue the business," he says.

The task was not made any easier by a nervousness which had overtaken Parker's distributors when the company announced in July 1985 that the pen operations were to be sold and it would concentrate on its jobs agency business.

Since Parker was the world's leading quality pen maker, the offer would be cetain to attract considerable interest among the competition. Should Dunhill, Gillette or Pilot of Japan take control there was a strong chance distribution might be taken over by their organisations.

There was also concern about the reactions and the future of many of Parker managers—should the company fall to an outsider.

Confidence had to be maintained. As it turned out, distributors' inventories were greatly reduced by the time the deal was done, and the subsequent restocking contributed handsomely to the strong set of interim figures Mr Margry published in September. Sales and profits were well up on the forecasts he had included in the buy-out prospectus.

However, Mr Margry probably expected a strong performance. He had been warned by his advisers not to be too ambitious in the preparation of the prospectus. "Unadvised people in this situation want to make everything look as good as possible," he says.

But his forecasts were ultra-cautious. He had been told that prospective backers and banker's auditors would question every last detail.

Stocks, machinery and other assets were entered at less than valuation rates. Every worst-case contingency had to be taken into account: severe currency fluctuations and even revolutions in Latin America.

The strains of the buyout phase are past, but Parker appears not to have slowed the pace. The prized US business still has to be turned round. Although losses there in 1985 have been converted into a small profit in the first half of 1986, the previous management's attempts to compete at the cheaper end of the market had dented its quality image among status-conscious Americans.

Margry is also intent on building outside the Anglo-Saxon world, an area previously neglected. He has hired Mr Kenneth Grange, a top-line international designer, to work on a new range costing £20 to £50. The object is a "global" basic writing instrument which can be finished in different ways according to the "culture" of the target market.

"We aim to speak to the market place in its own language," Mr Margry says. Manufacturing facilities round the world are flexible enough to make the new line in, say, plastic for Japan and gold finishes for Asia and Latin America.

"We need something plainer for the Anglo-Saxons," he reflects. "And something *very plain* for Scandinavia."

Mr Margry speaks especially plainly to the City of London and financial community at large. While many private companies are obsessively secretive about sales and profit figures, the new Parker Pen is remarkably open.

"It probably comes from our background as a public company," he says. "Our mental approach is based on American openness. But I believe it is the best way to do business."

For example, he believes this policy helped last June when it sought investors to refinance £15m of debt. And, in any case, it will be essential when and if the time comes for Parker to come back to market with a public flotation.

**Christopher Parkes**



# Good times for US pillar of British market

**Profile**
**Citicorp**

SINCE THE management buyout movement has its origins in the US it is perhaps surprising that only one American bank has established a major presence as a deal-maker in the British market.

That bank is Citicorp, which over the past five years has become one of the key pillars of the UK buyout industry through its subsidiary Citicorp Venture Capital.

And it has been especially active during 1986—a year when several other houses have found it hard to complete deals on favourable terms—taking part in eight buyouts, of which it has led six. The latter category includes the £60m sale of TIP—Europe by Gelco, the £20m sale of Technitron by Dyneer and the £11m disposal of KDG Holdings by Consilidated Gold Fields.

Citicorp had been involved in venture capital in the US since the late 1960s and brought its expertise across the Atlantic in 1981, setting up the UK operation in the earliest days of the buyout industry here. Early successes included the buyout of Wardle Storey, the plastic sheet maker, from NCC. Wardle came to market for a flotation less than two years later and since then has set out on the takeover trail.

The bank has been involved in a total of 34 buyouts and has invested £45m since it set up shop, but the pace has quickened rapidly of late, with half those deals taking place since the start of 1985. It has realised 10 of its investments—six through the sales of the bought-out company to another business and four through stock market listings (of which several more are in train).

Last October it established a £100m fund of equity finance for medium sized to large buyouts (in excess of £10m) and so far it has invested some £25m to £30m of the money.

Unlike some other players, it is able to offer companies debt as well as equity itself, and, says Mr Charles Gonszor, the management buyout unit head, this "one stop" service is a distinct advantage in deals where speed is essential. In the case of TIP—Europe, for example, it underwrote £80m of debt as well as providing part of the equity package.

Gonszor says that another of the group's advantages is its access to Citicorp's worldwide pool of expertise. This, for example, proved particularly valuable in the buyout of KDG, which has major operations in both France and Australia. Consolidated Gold Fields set the management a very tight timetable for completing the deal—just 10 days—and by being able rapidly to send teams into the overseas operations to conduct due diligence procedures, Citicorp closed the deal with just two hours to the deadline.

It has no particular sector bias to its lending. "Our view," says Gonszor, "is that we will invest in any areas where we think we can make a reasonable return."

The unit consists of eight professionals, of which four work fulltime on buyouts. They are drawn mainly from industry rather than banking, in the belief that industrial skills are a particularly vital part of the appraisal process, though the high degree of financial engineering required for deals is leading to greater emphasis on people from a banking background.

Gonszor, aged 34, himself has an industrial background, having worked for John Player and Cadbury Schweppes before joining Coopers & Lybrand as a consultant.

He takes issue with the view that the price at which deals are being done has gone up dramatically this year. Gonszor puts the full taxed price—earnings ratio of the average deal at about 10, which he thinks is reasonable.

Nevertheless, he agrees that the entry of more and more players into the buyout business is likely to increase valuations over the next 18 months and there is likely to be an increasing emphasis on new financial instruments, such as subordinated debt, and a rise in the ratio of debt relative to equity in deals.

**Martin Dickson**

## The Accountants' Role

# Floating promise of business

FROM THE moment the idea of a management buyout is conceived until it is either abandoned or completed, the solicitor and the accountant have key roles to play. For the latter the average deal, valued at about £6m, provides a good opportunity to win new clients, to develop the corporate finance advisory side of the firm and to boost fee income.

Leaving aside the six large buyouts, which accounted for about half the £850m total for completed buyouts in 1985, the average size falls to £3m. As merchant banks become involved in only the larger deals, in the typical buyout it is the accountants which provide almost all the financial advice.

According to Mr Tom Wilson, who heads Price Waterhouse's buyout team, the main attraction of such deals to accountants is not the fee. Even buoyed up by the addition of a "risk element" this makes only a small contribution to the income of the big firms. The magnet is the promise of a continuing stream of future business, especially for those buyouts which are subsequently floated.

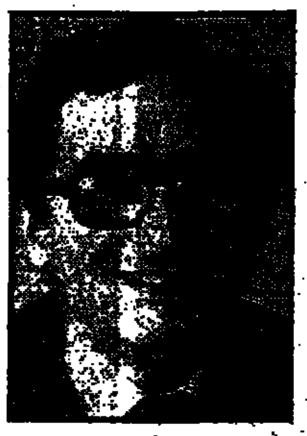
The big firms of accountants, using their recently acquired freedom to advertise, have been very keen on selling the services of their buyout teams. Arthur Young asks: "Even if a buyout is only a glimmer in your eye, we would like to hear from you."

Touche Ross illustrates its practical guide to buyouts with a rugby player breaking away from a scrum. It provides a points system which suggests that the ideal buyout is from a parent company with managerial or ownership succession problems, operating in an expanding market with established products, where the new company has surplus assets ready for sale and the workforce is stable and non-militant.

One of the motives for this kind of advertising is that management teams preparing for a buyout will need to have advisers from a firm of accountants other than the one which already works for the parent company.

"Most commonly we have no auditing relationship with either the parent or the subsidiary," Mr Wilson says.

All the main firms suggest that they should be brought in as advisers within weeks of the management team's initial decision to go ahead. "We would expect to be involved from the word go," Mr Wilson says.



Tom Wilson of Price Waterhouse

**Accountants in Larger Buyouts**

| | |
|---|---|
| Peat Marwick | 25 |
| Deloittes | 9 |
| Thomson McLintock | 5 |
| Price Waterhouse | 4 |
| Arthur Andersen | 4 |
| Ernst Andersen | 3 |
| Touche Ross | 2 |
| Spicer & Pegler | 1 |
| Grant Thornton | 1 |
| Stoy Hayward | 1 |
| Coopers & Lybrand | 1 |
| Arthur Young | 1 |
| Others/not identified | 6 |
| | 63 |

Source: Peat Marwick

Key areas the accountants offer assistance in are: feasibility study of the business and its future, the drawing up of a business plan, identifying and negotiating with sources of funds, negotiations with the parent over the sale price and careful tax planning of the terms of the final deal.

Reviewing his experience in the field, Mr Wilson says that out of every 10 proposed buyouts only two are consumated. Most of the schemes which fail do so at the earliest hurdle—when after a close look the accountants conclude that the proposal is unbankable. "Two or three out of 10 drop out at this stage," he says.

Many of the proposed buyouts which fall do so because the management team has confused a need for venture capital with the kind of mature earnings and solid cash flow financing institutions are looking for from a buyout.

Taxation planning is a vital element in a buyout. According to Touche Ross: "Tax considerations can often determine the structure of acquisition, the assets acquired and even the success or failure of the whole enterprise.

"In the UK this tax work is still the preserve of the accountant rather than the lawyer. In the US the position is very different and some British lawyers may be preparing to try to emulate their professional brothers across the Atlantic."

According to Mr Wilson the tax issue is increasingly dealt with on a first-come first-served basis "whoever is first on the scene—usually the accountants—does the tax advice."

In most cases the management team will be advised to form a new company for the purposes of the acquisition, according to Mr Stephen Bayfield of Robson Rhodes. Management will then subscribe for most of the capital of this company with the financing institutions taking up a minority of the ordinary shares plus perhaps a mixture of loan and preferred stock.

New companies have the advantage that the investment made by the management can be more easily kept small, that tax relief is available on interest and dividend payments and that income is taxed at the corporation rate rather than at high marginal personal tax rates.

If the new company is purchasing the assets of the buy out then the deal is straightforward enough. If, however, it is the shares which are being bought, then the tax position of the vendor/parent becomes critical.

As the buyout moves towards completion and once it has a clutch of investors on board, a potential conflict of interest arises. If the client is the management team just how can the accountants provide independent advice to the institutional investors?

Mr H. Aldous of Robson Rhodes sees every buyout as a "conflict of ethics." The parent company and its shareholders are told that the sale is a good deal and so are the financiers and backers of the buyout "ethically, this could be a rip-off," he claims.

However, basing themselves on what the management team can do when freed from the existing corporate structure, the accountants feel that they can square this circle.

At Price Waterhouse, Mr Wilson argues that this conflict does not arise and that as the institutions and the management team are both investors, they hold a common interest.

Since the emergence of a steady stream of buyouts only a couple of years ago, Mr Wilson believes that the pattern and nature of them has changed. "In the early days many of the proposals put up were unsellable ones—parents trying to dispose of subsidiaries for which no third party buyer could be found.

"Today in almost every buyout the parent will be sounding out third parties, even if it has an altruistic approach to the subsidiary and its management."

This means that the general state of the stock market is a far more intrusive factor than before—and in a bull phase what amounts to be a fair price tends to be blurred by the high sums being paid in acquisitions and takeovers generally. This can make the negotiations with the parent fraught with difficulties and emphasises the need for the best professional advice.

While many buyout specialists within the big UK accounting firms do not relish the development here of the large leveraged buyouts of the US, it is recognised that what happens today in Wall Street could happen in London sooner or later. However, Mr Wilson sees the British buyout as an opportunity to release the entrepreneurial spirit.

For the accountants, who are rapidly getting used to playing a more public role in the UK's corporate life, the buyouts represent an opportunity to get in at the ground floor with what they hope will be the next generation of fast movers. Their commitment to marketing their skills to management teams seeking independence is a punt on the future prospects of the successful buyouts—and this inevitably means that the accounting firms must think and operate in a more entrepreneurial manner.

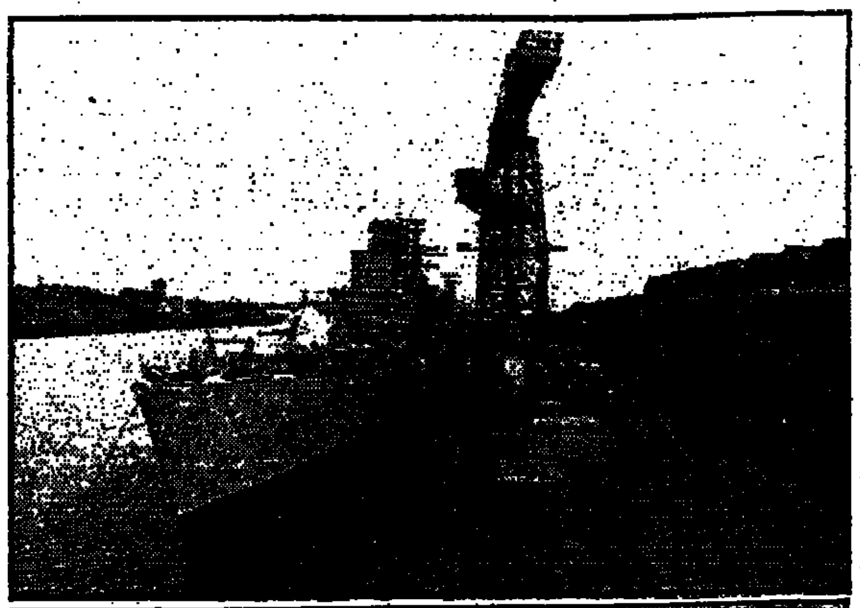
**Terry Povey**

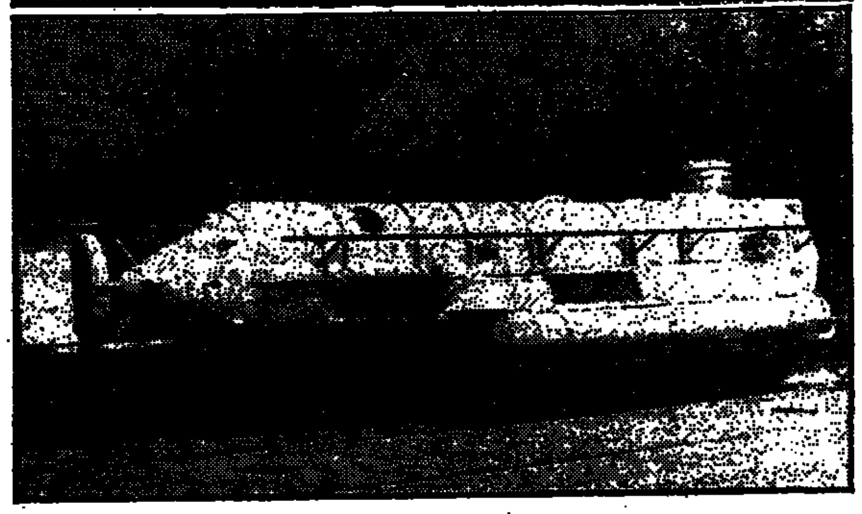
### Analysis of Larger Management Buyouts by Deal Leader

| | Number of deals: Investors Sole | Joint | Total | Total value £m | Average value £m | Address | Telephone number |
|---|---|---|---|---|---|---|---|
| Bankers Trust International | 4 | — | 4 | 239 | 60 | Dashwood House, 69 Old Broad Street, London, EC2P 2EE | 01-638 5533 |
| Barclays Development Capital | 3 | — | 3 | 77 | 26 | Ebbgate House, 2 Swan Lane, London, EC4R 3TS | 01-623 2323 |
| Candover Investments | 7 | 1 | 8 | 204 | 26 | Cedric House, 8-9 East Harding Street, London, EC4A 3AS | 01-583 5090 |
| Charterhouse | 4 | 2 | 6 | 129 | 22 | 1 Paternoster Row, St Paul's, London EC4M 7DH | 01-248 4000 |
| Citicorp Venture Capital | 5 | 4 | 9 | 183 | 20 | PO Box 242, 335 Strand, London, WC2R 1LS | 01-438 1266 |
| County NatWest | 1 | — | 1 | 19 | 19 | 11 Old Broad Street, London, EC2N 1BB | 01-638 6000 |
| Electra | — | 1 | 1 | 38 | 38 | Temple Place, Victoria Embankment, London, WC2R 3HP | 01-836 7766 |
| First National Boston | 1 | — | 1 | 44 | 44 | PO Box 155, 5 Cheapside, London, EC2P 2DE | 01-236 2388 |
| Granville | 3 | — | 3 | 32 | 11 | 8 Lovat Lane, London, EC3R 8BP | 01-621 1212 |
| Guidehouse | 1 | 1 | 2 | 19 | 10 | Vestry House, Greyfriars Passage, Newgate Street, London, EC1A 7BA | 01-606 6321 |
| Hambros | 1 | — | 1 | 26 | 26 | 41 Bishopsgate, London, EC2P 2AA | 01-588 2851 |
| Hill Samuel | 1 | — | 1 | 28 | 28 | 100 Wood Street, London, EC2P 2AJ | 01-628 8011 |
| 3i | 4 | 4 | 8 | 151 | 19 | 91 Waterloo Road, London, SE1 8XP | 01-928 7822 |
| Kleinwort Benson | 1 | 1 | 2 | 67 | 34 | PO Box 560, 20 Fenchurch Street, London, EC3P 3DB | 01-623 8000 |
| Laurie Milbank | — | 1 | 1 | 47 | 47 | 72 Basinghall Street London, EC2 | 01-606 6622 |
| Lloyds Merchant Bank | 2 | — | 2 | 145 | 73 | 40-66 Queen Victoria Street, London, EC4P 4EL | 01-248 2244 |
| Merrill Lynch | 1 | — | 1 | 280 | 280 | 27 Finsbury Square, London, EC2 | 01-382 8980 |
| Midland Equity Group | 1 | — | 1 | 25 | 25 | 47 Cannon Street, London, EC4M 5SQ | 01-638 8861 |
| Samuel Montagu | 1 | — | 1 | 95 | 95 | 114 Old Broad Street, London, EC2P 2HY | 01-588 6464 |
| Morgan Grenfell | 1 | — | 1 | 50 | 50 | 23 Great Winchester Street, London, EC2P 2AX | 01-588 4545 |
| National Westminster | 1 | — | 1 | 21 | 21 | 41 Lothbury, London, EC2P 2BP | 01-726 1000 |
| Prudential Venture Managers | — | 3 | 3 | 76 | 25 | 142 Holborn Bars, London, EC1N 2NH | 01-404 5611 |
| Scandinavian Bank | — | 1 | 1 | 38 | 38 | Scandinavian House, 2-6 Cannon Street, London, EC4M 6XX | 01-236 6090 |
| Schroder Ventures | 1 | — | 1 | 74 | 74 | Regina House, 5 Queen Street, London, EC4N 1SP | 01-382 6000 |
| Sumit | — | 1 | 1 | 10 | 10 | Edmund House, 12 Newhall Street, Birmingham, B3 3ER | 021-236 5801 |
| S. G. Warburg | 1 | — | 1 | 22 | 22 | 30 Gresham Street, London, EC2P 2EB | 01-600 4555 |
| No identifiable deal leader | 8 | — | 8 | 107 | 13 | | |
| | 53 | 20 | 73 | 2,246 | 36 | | |

NOTE: The above table analyses the 63 Management Buy-Outs since 1981 with total funding of over £10m in 1986 values.

This and other Peat Marwick tables report the results of a survey of the deal leaders for management buy-outs over £10m since 1981 undertaken by Peat Marwick for the Financial Times. While not complete in every detail, a high level of response was obtained.





The £60m Vickers Shipbuilding and Engineering buyout typified the new generation of large deals being done in the UK, requiring a high degree of corporate finance rather than venture capital skills, and with a large input from institutions. The VSEL group is mainly involved in warships, armaments and engineering, including the submarine yard at Barrow.

The Lawyers' role

# Tough talk from go-betweens

MANAGERS on the buyout path, whether aiming for the entire enterprise or for one division, will have made sure that, in principle, the board is ready to sell; that finance will be available provided the conditions are right; and that they have a feasible, or at least plausible, business plan to show to the accountants and bankers.

But they will still need the help of an experienced business lawyer to transform these potentialities into the real thing. This means not only to sign and seal the deal, but also to ensure that it will work — or that they can get out with the minimal damage if it does not.

Legal paperwork may be often the smaller part of the buyout lawyer's job. The "in-principle" agreement between the board and the managers may have been reached only because the parties avoided the difficult issues. It may be left to the lawyers to be the plain-speaking go-between.

As Mr Nick Mallett, of Knapp-Fishers, the London-based law firm, says: "There are things the managers would rather not say face to face with the board—with whom they may have to live if the deal fails or do business with if it succeeds. But these things need to be said and settled. I often have to be tough so that they can remain soft."

This is, of course, not always so. Sometimes the parties come with a perfect agreement. More often, however, the lawyer has to be negotiator first and a solicitor only later.

Very often the lawyer is recommended to the buyers by the accountant, some of which like Spicer and Pegler, Peat Marwick for example, and other leading city partnerships have teams specialising in management buyouts and links with lawyers experienced in this field.

In co-operation with the accountant, and often while negotiations are still in progress, the lawyer has to make sure that the deal will not fall into a tax pitfall. For example, if the Inland Revenue thought that the equity or property was acquired by the managers at a discount, it could treat the discount as a fringe benefit, subject to income tax. Some features of the deal could fall under the anti-avoidance provisions of the tax law.

**Involvement of Solicitors in Larger Buyouts**

| | Acting for: Management | Deal Leader | Total |
|---|---|---|---|
| Clifford-Turner | 5 | 12 | 17 |
| Ashursts | 2 | 11 | 13 |
| Freshfields | — | 9 | 9 |
| Slaughter & May | 4 | 3 | 7 |
| Allen & Overy | 2 | 5 | 7 |
| Herbert Smith | 3 | 3 | 6 |
| Norton Rose | 3 | — | 5 |
| Dickson Minto | 3 | — | 3 |
| 3i Legal | — | 3 | 3 |
| Turner Kenneth Brown | 1 | 2 | 3 |
| Herbert Oppenheimer | 2 | — | 2 |
| Nabarro Nathanson | 2 | — | 2 |
| Coward Chance | 2 | — | 2 |
| Travers Smith Braithwaite | — | 2 | 2 |
| Macfarlanes | — | 2 | 2 |
| Linklaters | 1 | 1 | 2 |
| Others/not identified | 33 | 8 | 41 |
| | 63 | 63 | 126 |

Source: Peat Marwick

Sometimes it may be advisable to attempt an advance clearance of the proposed deal with the Tax Inspector and to obtain from him a "comfort letter."

Close to these problems is the entire or partial transfer of a part of the pension fund or of pension rights. The managers may be more familiar with the day-to-day running of the business than they are with legal, financial and property arrangements on which it is based. In such case, it is the lawyer's task to make them aware of the problems and risks involved, and to suggest and later draft the declarations and warranties they will need to be protected against surprises.

Another important task of the lawyer is to check the buyer's business plan for possible gaps and to help to fill them. An experienced buyout lawyer will have ready a questionnaire going fairly deeply into the various aspects of the deal. The research necessary for answering the question is also likely to be educational: as likely as not the managers buying the enterprise are more familiar with sales than any other aspect of the business. The running of a company involves tasks and problems for which they have to be prepared.

The buyout lawyer need no more be a brilliant company chairman than a tennis coach needs to be a Wimbledon champion: it is enough to know the rules and tricks of the art, and to be able to guide the clients to top performance.

Whether this top performance will be good enough is beyond the lawyer's control: This will depend on the adequacy of the client's talents and diligence to his ambition.

A timely determination of the new roles of the individual members of the buying team and their financial backers may be of crucial importance for the success of the venture. This involves not only the composition of the new board but also who will do what, and what happens if there is a disagreement or if one of the partners leaves or dies.

Against such contingencies it may be necessary to provide for the acquisition of shares from company members who wish to leave the business, or from the estate of those who die. It is possible to agree transfer of shares from dissenters, as well as measures for the protection of minority shareholders.

For the extreme case of an insurmountable disagreement, it may sometimes be necessary to provide for an orderly dissolution of the company. The leading members of the buying team and their financial backers may want to protect their power to control the business by suitable share options.

When all is settled—the price, finances, the pensions, the taxman, the business plan and the management roles, as well as the lifeboats in case the venture goes irretrievably wrong—the lawyer can draft the agreement.

This should be relatively easy if, as Mr Mallett says, the lawyer has been "demystifying" the legal business step by step—talking "plain and straight"—knowing what he is talking about, not only in legal terms but also in terms of business and of relationships between the people involved.

How long can all this take? There are buyouts which can be completed quickly, almost overnight, in an insolvency or another emergency situation. But normally the lawyer needs at least two weeks and sometimes as much as three months.

How much does the lawyer's assistance cost? The lowest solicitor's bill for a management buyout I have heard of was for £3,000, but the cost can be very high if the transaction is complicated, important property passes hands and the buying team leaves the lawyer to struggle on without providing much support and co-operation.

Given the right support, the buyout lawyer will be ready to keep his fees low, aware that he is creating a new client whose business will run at full pace from the beginning.

Solicitors prefer the openended billing on the basis of actual, or imaginary, time spent on the job. But if the lawyer can rely on co-operation of the parties in a fairly well defined task, he will be ready to name a flat fee beforehand and this is certainly what a management team working on a budget will want.

**A. H. Hermann**

France

# A way out for the *patron*

French industry minister, Alain Madelin, minister of state for economy, finance and privatisation, Edouard Balladur, and Prime Minister, Jacques Chirac, leave the Elysée Palace after the weekly cabinet meeting. The French Government is under strong pressure to make buy-outs easier by giving tax concessions to outside purchasers as well as existing managers.

THE NEW right-wing Government in France is facing a lobbying drive from financial institutions trying to improve the climate for the country's fledgling activity in leveraged management buy-outs (LMBOs).

French investment specialists say the number of companies capable of being interested by MBOs over the next decade or so runs into thousands. Roughly 30 per cent of company chairmen were aged above 53 according to a survey two years ago.

These are the *patrons* who built up the country's small business backbone during the post-war boom—but whose retirement in coming years is likely to pose difficult problems of finding a replacement for many companies.

Difficulties in coming up with a successor when a small company boss dies or decides to bow out of his business are estimated to cause around 10 per cent of French bankruptcies.

Additionally, with an increasing number of larger French and foreign-owned companies seeking to restructure their operations by spinning off less profitable or peripheral parts, the outlook for MBOs—in theory at least—has become more appealing in many big groups too.

The previous Socialist Government realised the existence of the problem as part of its general recognition of the need to strengthen the capital base of French industry. In July 1984, a package of tax reforms measures was brought in to encourage managers and other workers to take over their own business.

Additionally, as part of the general surge in interest in France in all types of venture capital among indigenous and foreign-owned financial institutions, the number of banks and other investment groups willing to put up funds for MBOs has accelerated considerably.

However, MBO specialists have been disappointed that the tax concessions brought in under the 1984 law—although marking a considerable improvement on previous legislation—are hedged in by too many conditions.

Also, the Finance Ministry has been blamed for bureaucratic slowness of decision-making. Fiscal inspectors at the Treasury have been reluctant to authorise companies to make use of the somewhat daring—by French standards—tax exemptions allowed under the 1984 law.

One sign of the increasing popularity of the subject is that the French have now come up with a Gallicised version of the ugly English LMBO acronym for buy-outs—RES or Reprise d'Entreprise par les Salariés.

But only about 100 LMBOs or RES are thought to have been given tax concessions under the terms of the 1984 law by the fiscal authorities—a rate of authorisation which works out at about one a week.

According to a survey carried out earlier this year, the Government's fiscal services up to April had received 161 MBO dossiers, 90 of which had been approved as conforming to the framework of the 1984 law. A total of 25 were still being studied while 46 had been turned down or abandoned.

The companies bought out mainly had turnover of between FFr 25m and FFr 30m, and employed around 100 people.

The 1984 tax changes make it possible for managers taking part in buy outs to deduct from their taxable income the interest payments on loans contracted to finance the operation. Exemption is allowed up to interest of FFr 100,000 per individual.

Additionally the holding company which is routinely set up as owner of the concern being bought out is also allowed concessions over its own interest payments. These are effectively refunded out of the tax paid on the profits of the operating company.

The number of important MBO operations carried out over the last two years testify to the growing interest in the area. The first major buy-out is generally recognised to have been for Quercymetal, based in Cahors in South-West France, a FFr 270m sales hobby and household distribution company which passed under the control of its managers early last year.

The Waeles foundry, a FFr 400m turnover group with 1,000 employees, has also been bought up by managers, while the Sagem group—one of France's most important defence and electronics equipment companies—has also now come under management control.

The largest deals such as the Sagem operation however have been carried out outside the framework of the 1984 law, which financiers say is too rigid in promoting MBOs in many cases.

As a result, the Finance Ministry has been facing a tide of suggestions to ease further tax treatment for buy-outs—including the possibility of allowing tax concessions to outside purchasers not previously on the management.

Critics of the law also say that the necessity of winning approval from fiscal inspectors often precludes the possibility of MBOs for competitive companies which may face rival bids from other groups. And they say that the tight fiscal criteria end up giving unnecessary privileges to smaller rather than larger companies, reducing the overall participation of bankers and lowering the capitalisation of bought-out groups.

Mr Alain Madelin, the Liberal Industry Minister, is known to be particularly concerned over increasing possibilities for smaller companies to be taken over by their staff. Even though it might mean opening more tax loopholes in the French fiscal system, it is likely that the Finance Ministry will be persuaded eventually to loosen up the 1984 regulations to allow LMBOs fully to become part of the French industrial scene.

**David Marsh**

A Guide to the Jargon

# Venturespeak made easy


COMPARED with the boot straps, bear hugs and black books of the US takeover world, the langauge of venture capital is relatively simple. Yet venture capital, like almost every other area of finance, has spawned a language of its own.

So if you are unsure whether slipping down a death valley curve, or into the clutches of a vulture capitalist is a good or a bad thing, then here is a simple guide.

First, the **management buy-out** occurs when a company, or a subsidiary is purchased by the people who run it, the management. There are, however, various forms of management buyout.

The **leveraged buy-out**, an American invention, but a concept becoming increasingly popular in the UK, applies to companies in which borrowings reach high level and which use their assets to secure the buy-out capital.

Alternatively a **spensored spin-out** takes place when a company is formed and owned collectively by the management team, a venture capital concern and the former parent company.

The completion of the buy-out may not, signal the end of the company's financial problems. Companies frequently require additional injections of capital. **Second round financing**, for example, is needed when the company is already up and running but needs extra funds to build on the business base or to bring new projects to completion.

Some buy-out companies organise their original backing in the form of **tranche funding**. In this format companies secure additional capital but the amount of money paid and the time at which it arrives is generally arranged in advance.

If a company survives the period immediately after the buy-out and becomes large and substantial enough to go public it may require **bridge financing** in order to survive the period before the flotation.

Generally management buy-outs look towards venture capital concerns or institutional investors for backing. There are, however, other forms of finance. The **Business Expansion Scheme** is one. The BES was launched by the Government in 1983 to offer tax advantages to individuals in order to encourage investment in venture capital. The scheme is really intended for young start-up companies but buy-outs can raise capital through it, subject to certain conditions, and the management cannot receive tax relief for their investments.

But most buy-outs turn to institutional investors and the forms that funds can adopt has created another whirlpool of jargon. A **captive fund**, for example, is one in which the venture capital firm is part of a larger company, a subsidiary of a merchant bank, for example. By contrast an **independent fund** is one which is autonomous.

When the investment package is put together the **lead investor** is the backer with the largest stake in the company and which generally will play an active role in the company's development, often on behalf of the other backers.

A **syndicated investment** is one which is divided between several backers and which would generally be too large, too complex and probably too risky to be taken on by a single backer.

Funds structure buy-out packages in different ways. **Evergreen funds**, for example, prefer to invest in instalments so that the company receives a constant stream of capital rather than a lump sum. This form of investment is generally described as a **drip feed technique**.

Some investors opt for **carret equity**, whereby they have the right to take a larger stake in the company as it meets specific **financial targets**. If the company performs well the backer can exercise an option to take on a larger stake.

Once the buy-out package is assembled the backers can choose what sort of role they wish to play, whether to be **hands-on investors**, adopting an interventionist role, or **hands off**, with a passive attitude to the running of the company.

Another US invention, pioneered by the investment bank, Drexel Burnham-Lambert, is the **junk bond**, a high-risk, high-yield mode of investment. Junk bond investors tend to take an eclectic approach to investment, putting money into a wide range of companies so that the bad investments are balanced by the good.

Alternatively, the backer could opt for the **ramp-up approach** in which it takes convertible preference shares in the company. These shares will convert into ordinary shares at a date dependent on the company's financial performance.

Even the problems of buy-outs have coined jargon of their own. **Slippage** occurs when a company eats up capital more quickly than expected. If this happens and a company is unable to persuade anyone to lend it the capital to pull through, it will eventually reach the state of **maximum slippage**. This is the crucial period when it needs money desperately but the situation has not quite become so bad that no one will lend to it.

A company may slide down the **death valley curve** if, shortly after the buy-out, its losses erode the equity base, making it difficult to raise extra capital through borrowings.

Alternatively there is always the risk of falling into the clutches of a **vulture capitalist**, or an avaricious venture capitalist taking too much money out of the company. Nearly as bad would be to encounter a **fat cat**, who will make too much money out of your company.

Some management buy-outs are, of course, immensely successful. The dream of all buy-out managers or backers is to orchestrate an exit, or flotation on the Unlisted Securities Market or stock market, so they can cash in their shares.

**Alice Rawsthorn**

The US Scene

# Scramble for piece of the pie

EARLY THIS year, many analysts believed that hungry dealmakers were losing their taste for leveraged buyouts. Stock prices were high and institutional investors seemed to be growing wary of highly leveraged financing.

The Federal Reserve was preparing to issue limits on the high yielding less-than-investment-grade "junk bonds" used to fuel the takeovers. In fact the issuing of junk bonds had already begun to slow, falling from $17bn in 1984 to $15.3bn last year.

Other problems were also surfacing. Although few management buyouts had gone bust, some companies were finding their debt loads heavy going. Others had their credit ratings knocked down, and in September last year, corporate bond downgradings exceeded upgrades by 43 per cent. Lurking in the future—just considered a faint possibility nine months ago—was the threat that Congress would overhaul the tax system and damage what had been a welcoming climate for takeovers.

None of these dangers, however, seems to have curbed the prevailing appetite for privatisation.

"The entrepreneurial spirit is alive and well," says Mr Mark Solow, senior managing director of Manufacturers Hanover Trust, a leader in the buyout boom. "People are willing to take risks. There is a whole generation which has never felt economic pain."

Managers who have become owners, and financiers who had made it possible, say there is a desire to control their own destinies. It is an "era of deconglomeration." In the emerging two-tier US economy, everyone wants a piece of the ownership pie, particularly as the stock market is dominated by the institutions and is a risky short-term venture for small investors.

Last year, according to Mr Martin Sikora, editor of Mergers Acquisitions magazine, there were some 253 leveraged buy-outs. The 119 in which the price was revealed, totalled $19.3bn. He knows of 142 buy outs in the first eight months of 1986. The price is known in 56 and totals almost $20bn.

The trend is still strong, helped by lower interest rates, says Mr Sikora. And he expects many more deals because of impending changes in the tax law, which will reduce depreciation allowances and force up prices of takeovers.

Mr Sikora says he expects a hiccough in the numbers next year, but financiers will soon find a way to get around tax reform. Buy-outs will still be a comparatively good bargain, and there are many pools of money to be tapped, he says. They generally promise a 40 to 50 per cent return compounded over five to eight years, and banks are able to provide financing at above-market interest rates. Management takeovers have been going on for years in the US. In the 1960s leveraged buyouts were called boot-strap financings. Huge buyouts, financed with mostly borrowed funds, did not become a powerful force until the late 1970s, when the economic climate was amenable—stocks were below value, there were few curbs in leveraging and money was plentiful.

"Ten years ago, a $100m buy-out was a big deal," says Mr Kevin Murphy of Gabelli Rosenthal and Partners. "Now no one bats an eye at that kind of deal."

New manager-owners say they no longer have to worry about producing instant profits, and with a stake in their companies they operate more efficiently. They can also plan long-term corporate strategies. Stockholders of public companies acquired in buy-outs also benefit from the higher prices generally paid for their shares.

Some analysts say takeovers encourage major restructuring and a redeployment of assets, required by the changes in technology and consumer preferences. But there are other observers who believe that buy-outs have been done to excess.

Mr Sikora has been able to discern a few trends developing. Some companies like Western Publishing, a division of Mattel, are going public again. And some buyouts have been bought up in further buyouts by larger companies.

Tax reform remains the major unknown. The $120bn in new taxes to be paid by business over the next five years will bring pain and some economists believe it could knock the sluggish US economy into recession.

"In the next recession, some people are going to get hurt," says Mr J. Terrence Greve, owner of Business Publications. At risk are those who bought at high prices with floating rate debt.

Management buyouts are sound only under the following conditions, he says:

- A company must have a strong, stable earnings history with a predictable cash flow.
- It must not grow too fast. High technology companies are particularly bad candidates.
- It must have a well-defined niche in the market.
- It must not be too capital-intensive or require much capital investment in the near future.
- It must have strong, proven management.

**Nancy Dunne**

### Billion Dollar Takeovers in 1985

| Company bought | Buyer | Value ($ bn) |
|---|---|---|
| RCA | General Electric | 6.3 |
| Beatrice Company | Kohlberg, Kravis, Roberts | 6.2 |
| General Foods | Philip Morris | 5.8 |
| Hughes Aircraft | General Motors | 5.1 |
| Signal Companies | Allied Corporation | 5.0 |
| Nabisco | R. J. Reynolds | 4.9 |
| American Hospital Supply | Baxter Travenol | 3.8 |
| Texas Oil and Gas | US Steel | 3.7 |
| American Broadcasting Companies | Capital Cities Communications | 3.5 |
| G. D. Searle | Monsanto | 2.8 |
| American Natural Resources | Coastal Corporation | 2.5 |
| Storer Communications | Kohlberg, Kravis, Roberts | 2.5 |
| Houston Natural Gas | Internorth | 2.3 |
| Revlon | Pantry Pride | 1.8 |
| 50% of Union Texas Petroleum | Kohlberg, Kravis, Roberts | 1.7 |
| Allen-Bradley | Rockwell International | 1.7 |
| Richardson-Vicks | Procter & Gamble | 1.6 |
| Seven Metromedia Television Stations | Rupert Murdoch | 1.4 |
| Northwest Industries | Farley Industries | 1.3 |
| Stauffer Chemical | Chesebrough-Pond's | 1.3 |
| United Energy Resources | Midcon Corporation | 1.2 |
| Levi Strauss | Haas Family | 1.1 |
| Inmont Corporation (United Technologies subsidiary) | BASF | 1.0 |
| Consumer/Industrial Products (Gulf and Western subsidiary) | Wickes Companies | 1.0 |

Source: The Washington Post

### US Subsidiary Buyouts

| Year | Number | Total value $m |
|---|---|---|
| 1978 | 49 | 75 |
| 1979 | 59 | 47 |
| 1980 | 47 | 363 |
| 1981 | 83 | 484 |
| 1982 | 115 | 1,400 |
| 1983 | 139 | 2,500 |
| 1984 | 122 | 3,800 |
| 1985 | 132 | 5,000 |

Source: W. T. Grimm & Co.

### US Whole Company Private Deals

(leveraged buy-outs included)

| Year | Number | Total value ($m) |
|---|---|---|
| 1979 | 16 | 636 |
| 1980 | 13 | 9,697 |
| 1981 | 17 | 2,338 |
| 1982 | 31 | 2,836 |
| 1983 | 36 | 7,145 |
| 1984 | 57 | 10,805 |
| 1985 | 76 | 24,139 |

Source: W. T. Grimm & Co.

John Hayes, National Gypsum chairman and chief executive

### US Leveraged Buyouts

| | Total deals | Deals revealing price | Known prices $bn |
|---|---|---|---|
| 1981 | 99 | 49 | 3.1 |
| 1982 | 164 | 72 | 3.5 |
| 1983 | 230 | 87 | 4.5 |
| 1984 | 251 | 122 | 18.6 |
| 1985 | 253 | 119 | 19.3 |
| 1986* | 142 | 56 | 19.65 |

* 8 months

Source: Mergers & Acquisitions magazine

### Gypsum Buyout Estimated Costs

| | $ |
|---|---|
| Goldman Sachs | 10m |
| Salomon Bros | 1.25m |
| Dillon Read | 1.25m |
| Legal | 2.4m |
| Accounting | 100,000 |
| Proxy Solicitation | 40,000 |
| SEC | 315,000 |
| Trustees | 50,000 |
| Listing | 200,000 |
| Printing and mailing | 750,000 |
| Exchange Agent | 100,000 |
| Rating Agencies | 50,000 |
| Bank Transaction | 10.175m |
| Debenture | 1.875m |
| Miscellaneous | 1.445m |
| Total | 30m |

# Invasion fears left behind

Profile
**Gypsum**

NOT ONCE in 47 years did National Gypsum Company of Dallas fail to pay dividends to its stockholders. Last year the large manufacturer of construction supplies repurchased 531,000 shares and gave its shareholders a 3 for 2 split. Steps were taken to reduce its vulnerability to economic cycles, but even its buttressed position failed to raise the price of its common stock on the New York exchange. It was prime for a hostile takeover.

National Gypsum had felt threatened before, first by Mr Victor Posner, a feared raider, and by Louisiana Pacific, a natural resources company. Both had bought shares in the company but had later sold them. Last year rumours began to circulate of a new danger posed by the Belzburg family of Canadian financiers.

Eleven of National Gypsum's managers and one outside director decided to organise a leveraged buy-out. Working with a group of investors led by Citibank Industrial Credit and advised by Goldman Sachs, management made its first buy-out proposal. A "fairness committee," of independent directors formed to evaluate the offer, recommended a revised proposal in January and all seemed in train.

But the economic climate was improving. Between November and April, prime interest rates declined 20 per cent, fuelling new housing construction and the interest of other investors. National Gypsum became an even more inviting takeover target.

On April 8, the California-based Wickes Co, just emerging from chapter 11 bankruptcy, raised the stakes with a $54 per share cash tender offer. The next 11 days set off a tense bidding war, which ended only after the management group brought in Lafarge Copee, a French company and a longtime associate. With its additional resources, the management was able to offer a successful bid of $46 cash and $44 in debentures, valued on Wall Street at $69 a share, far higher than National Gypsum stock had even climbed on the market.

National Gypsum's new survival strategy called for a slimming down to its three core divisions: Gold Bond Building Products, which manufactures wallboard; American Olean Tile, the country's largest tile maker; and the Austin Company, a turnkey construction company.

Four companies were to be divested, including Binnings Building Products of Lexington, North Carolina, where management had entrepreneurial ambitions of its own and wanted to protect its 600 workers. Mr Bill Mitchell, now president of Billings, had worked for National Gypsum for 38 years and had run Binnings, a profitable producer of aluminium doors and windows, since it was acquired in 1974. Working with Gabelli Rosental, partner of an aggressive, New York group, a new buy out was sealed.

Gypsum now has a $600m debt to service—including a $30m cost of the buyout — but management says it has achieved a balance against the cycle of the industry. It insists its debt load is manageable.

"One of our concerns as a public company was the growing emphasis on short-term results even at the expense of a company's future," says Mr John Hayes, the chairman. "As a closely-held private company, we have the opportunity to effect sound planning to ensure long-term viability."

Even more to the point, he said, the management can now work without fear of invasion by an "unknown."

**Nancy Dunne**

# Muscling into the top tier

Profile
**Drexel Burnham Lambert**

WHEN Drexel Burnham Lambert moves into its new $600m headquarters in New York's World Trade Centre, it will physically assume a place in American private banking to match its growth and growing presence, if not respect.

In less than a decade, when some banks have been taken over by major corporations and financial institutions or gone public to raise capital, Drexel Burnham has managed to mobilise its private—sometims very private—resources to muscle its way among the traditional top-tier banks.

The bank's development has come largely from its high-yield bond activity, a $15bn a year enterprise pioneered by Drexel Burnham.

Mr Robert E. Litton, the bank chairman, who has overseen its rise over the past decade, traces the high-yield market back to 1977, when three factors converged.

"Big corporations started to sell less than investment-grade debt publicly. Second, institutional-type buyers were willing to downgrade portfolios because inflation forced them to find ways to improve their returns on investment. Third, and developed by us, sufficient capital had to be devoted to marketmaking in quantities to provide a liquid aftermarket."

Mr Linton, an informal man with a straightforward manner, takes credit for being an integral part of this market. "Companies could not place the 'merchandise' unless customers were convinced there would be an aftermarket," he says.

The one area in which the banker has fallen behind the market is in adopting the generally accepted term "junk bonds" for the high-yield paper. "I would love to get rid of the term," Mr Linton says. "It is a misnomer."

"Junk bonds" originally referred to securities downgraded by the rating agencies to BA1 or lower for Moody's and BB-plus or lower for Standard & Poor's. The junk bonds pioneered by Drexel Burnham are original issues with yields about 3 per cent higher than top-rated ones. In the present market as interest rates come down, the spread has expanded to as much as 5.5 per cent.

The rewards for this enterprise and commitment to high-yields have been substantial. In 1977, Drexel Burnham handled $160m in volume, compared with $4bn this year. It is thought to have netted $450m in earnings in 1985, compared with $100m five years ago. Equity capital in 1977 was $35m and is $1.5bn today.

The bank, 26 per cent owned by Groupe Bruxelles Lambert of Belgium with the balance held by company insiders, does not break down what proportion of its income comes from high-yields. Estimates put them at 25 per cent of turnover and a higher proportion of profits.

Controlling over half of the high-yield market has sparked achievements in other departments. To start with, it hired top personnel from other banks such as Mr Martin A. Siegel, the major mergers-and-acquisitions banker from Kidder Peabody, Mr Sam Hunter, vice-chairman of Merrill Lynch.

Such aggressiveness has seen Drexel Burnham grow to 7,000 staff, become third in mortgage-backed securities and third, behind Salomon Brothers and First Boston, in corporate underwriting. While it trailed others in the top six with only 171 issues, the amount involved —$16.2bn— ranked higher than two-thirds of the "special tier" (Goldman Sachs, Morgan Stanley, Shearson Lehman and Merrill Lynch).

The rise has not been free of controversy in the closely knit, highly competitive and high-pressured environment of American investment banks. Particularly resented was the bank's ability to capitalise on a low-prestige, minor activity, turning it into a profitable niche and a vehicle for fundamentally changing financial markets and ultimately American industry.

By upgrading the whole idea of high-yield securities, Drexel Burnham has moved bonds down-market to cover thrifts and entrepreneurial insurance companies, which learned to borrow as well as buy bonds in a fairly closed circle around Drexel Burnham banker Mr Mike Milken. Mr Milken, aged 40, gained most of the firm's publicity recently, with US papers comparing him to J.P. Morgan and J.R. Ewing.

His personal wealth, acquired while bringing respectability (or at least popularity) to high-yield bonds, is considerable. He has worked closely with better known financiers, notably Mr Carl Linder, on Ohio savings bank owner, and Mr Saul Steinberg, New York insurance company owner. These used their banks to buy Drexel Burnham high-yields, while they then borrowed through the same group to make other acquisitions.

Mr Milken's importance has grown as he has found different ways to invest his backers' money. In 1983, he raised the first $1bn management buy-out for Mr John Kluge, Metromedia's owner.

Mr Kluge, who started his communications conglomerate as a small Washington television station after the Second World War, proved an astute investor. Two years later he dismembered the company, selling the broadcasting part to Mr Rupert Murdoch for $1.2bn, while unloading the seemingly less significant rights to cellular phone systems for another $1bn.

The practice in management buyouts of taking companies private for a couple of years and refloating them at big premiums has been controversial for Drexel Burnham and its management buyout partners, Kohlberg Kravis Roberts. But even more controversial has been a practice begun in 1984 of using high-yields to finance takeovers of major US companies.

Drexel Burnham finances some of America's most feared takeover specialists. Mr T. Boone Pickens, Mr Saul Steinberg, and Mr Victor Posner, while encouraging the careers of a new takeover group that includes Mr Ronald Perelman of Revlon, Mr Steve Wynn of Golden Nugget and Mr Samuel Heyman of GAF.

Such activities have given Drexel Burnham the reputation as "killer dobermans" and the "Libya of investment banks." Mr Linton would prefer a more human face on the bank, which he says has grown from "tracking and developing the most talented people, of whom Mr Milken is the prime example, though there are many more."

**Frank Lipsius**

SECTION II – COMPANIES AND MARKETS
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# Pepsico boosts earnings 21% in third quarter

BY DAVID BLACKWELL IN NEW YORK

PEPSICO, the US soft drinks and food group, has boosted earnings and sales in the third quarter, reflecting significant profit growth in domestic operations and improved performance at Frito-Lay, a snack-foods subsidiary.

Profits increased from $135.3m, or 48 cents a share, to $151.7m, or 58 cents a share, a 21 per cent gain, with revenues growing strongly to $2.53bn from $2.07bn.

Soft-drinks sales soared 42 per cent in the quarter, and operating earnings in the sector were up 30 per cent. The growth was driven by particularly strong domestic gains, the group said, and the inclusion of MEI, a Pepsi bottler acquired in May, and Seven-Up International, acquired in July.

US bottler case sales were 5 per cent up on a strong 1985 quarter, led by Diet Pepsi and the new Slice brand. International bottler case sales rose 7 per cent, but earnings were down.

Earnings from world-wide snack food sales rose 2 per cent on a 6 per cent increase in sales. Pepsico said it had continued a successful investment programme at Frito-Lay, where unit sales rose 5 per cent. Despite heavy spending, operating profits for the unit were 2 per cent ahead.

Income from Pizza Hut and Taco Bell restaurant chains declined 15 per cent, reflecting heavy investment costs and a slowdown in the restaurant sector, said Pepsico.

Mr D. Wayne Calloway, chief executive, said the group's soft drink performance had been "outstanding."

"Once again, our financial strength has provided the flexibility to maintain our near-term progress while building our businesses for the future," he said.

At the nine-month stage, the group earned $341.2m, or $1.31 a share, on sales of $6.5bn, against net from continuing operations last time of $315.1m, or $1.11 a share on sales of $5.84bn.

The 1985 final net profit at nine months was $454m or $1.81 a share after gains of $9.6m from discontinued operations, and $129.7m from disposals.

# Heavy demand for Elf shares

By David Housego in Paris

THE SHARE offer for Elf Aquitaine, the French state oil group, has been oversubscribed almost four times, according to early estimates.

The new right wing French Government's offer of 11 per cent of its stake in the company is a first step in its denationalisation programme.

There were 10.8m shares on offer and more than 48m applications were received. Mr Edouard Balladur, the Minister of Finance, said yesterday that 300,000 small investors had subscribed for up to 10 shares each. He saw this as a success for the government's campaign to establish a shareholding class.

The Elf shares were put on offer at FFr 305 ($46) on September 25. The previous day's closing price was FFr 330, prompting the opposition Socialist party to accuse the Government of selling the national heritage "on the cheap." It referred the offer to the Conseil d'Etat, the state judicial body.

Trading was temporarily suspended in Elf shares on the French bourse after the offer was announced.

When it resumed, Elf's price was held down through state institutions, including the Caisse de Dépôts, the local authorities financing body, selling part of their holding. The Caisse has traditionally acted for the Government as a "policeman" in the market. Brokers said that the rise was halted at FFr 320 a share as compared with the previous closing price of FFr 330.

A large part of the demand for the 10.8m shares on offer is believed to have come from the Caisse as well as other French and foreign institutions.

Sara Webb in Stockholm reports on moves to strengthen Sweden's biotechnology industry

# Pharmacia bids SKr 1.27bn for rival

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, yesterday announced plans to take over LKB, the instruments and chemicals company, for a total of SKr 1.275bn ($186m) in a move aimed at strengthening the Swedish biotechnology sector.

Together the companies will be market leaders in certain parts of the chemical separation field and will be one of the largest biotechnology suppliers for research purposes.

Trading in the shares of Pharmacia, LKB and Incentive, the holding group which controlled LKB, was suspended on the stock exchange in Stockholm on Wednesday amid speculation of a takeover bid.

Pharmacia has agreed to pay Incentive SKr 775.8m for its shares in LKB, which corresponds to about 61 per cent of the capital and 82 per cent of the voting rights.

Pharmacia has invited other shareholders in LKB to transfer their shares to Pharmacia on the same terms, offering SKr for each restricted class B share and SKr 335 for each unrestricted class B share.

This means that Pharmacia is offering a premium of about 25 per cent on the market price. The takeover is subject to government approval.

The takeover is the second big Pharmacia acquisition this year and follows the SKr 3.3bn takeover of Leo, the smaller Swedish drugs group.

Both LKB and Pharmacia have interests in the diagnostics and molecular separation markets.

LKB specialises in the equipment for the separation and analysis of biomolecules. Pharmacia's biotechnology division, which had sales in 1985 of SKr 826m, and LKB's research and industrial business group, which had sales of SKr 661m, both supply university and industrial research departments.

Both companies operate in the field of low pressure chromatography and electrophoresis, which are separation methods. Together they will have 45 per cent of the electrophoresis equipment market worldwide and 40 per cent of the chromatography market, making them leaders in these two fields.

Both companies sell immunodiagnostics instruments for hospital and research laboratories. Though they are not direct competitors here, they say their products will complement each other.

Pharmacia's diagnostics division had sales last year of SKr 705m, while LKB's chemical systems division had sales of SKr 335m.

Pharmacia specialises in allergy testing kits, while LKB has focused its attention on a new kind of test kit which uses fluorescent markets.

Incentive, a Swedish conglomerate dominated by the Wallenberg and Lundberg financial interests, brought LKB to the stock market in 1983.

LKB reported disappointing eight-month results on Tuesday with losses of SKr 5m Incentive's president, Mr Lars Kylberg, said, however, the sale had nothing to do with the poor results.

"The thought and planning for the sale of LKB has gone on for a long time," he said, but later admitted that talks with Pharmacia had begun only two weeks ago.

Incentive will now use the cash for developing future projects.

Mr Nils Ingvar Olsson, Pharmacia's executive vice president and the head of its biotechnology division, said: "With LKB we will be the right size to launch new products in the booming biotechnology market."

Pharmacia has recently been involved in a number of deals aimed at building up its four main interests – biotechnology, health care, ophthalmics and diagnostics.

## HIGHER SALES INCREASE ASTRA PROFITS TO SKr 817m

ASTRA, the leading Swedish pharmaceuticals group, increased its profits by 14 per cent in the first eight months of the year with an 11 per cent rise in turnover, writes Kevin Done in Stockholm.

Group profits (after financial items) rose to SKr 817m ($120m) compared with SKr 719m in the corresponding period last year.

Group sales increased to SKr 3.18bn from SKr 2.87bn a year earlier, with all the increase accounted for by higher sales volumes shared between new and old products.

Astra said that sales had increased particularly strongly in the UK, Switzerland, West Germany and Austria, and turnover rose by about 20 per cent in the US and Australia in local currency.

Astra increased sales most strongly of agents for respiratory diseases with an increase of 16 per cent to SKr 661m. Sales of local anaesthetics rose by only 4 per cent to SKr 734m and sales of cardiovascular agents by 9 per cent to SKr 852m.

Astra said that for the full year it expected group sales to increase by 11 per cent with a slightly faster growth in profits.

The group is one of the leading pharmaceuticals companies in the Philippines and it said yesterday that it was planning to invest about SKr 100m in a new plant in the Manila region.

It is seeking to make its shares international and is planning to seek listings next year in Japan, Switzerland and West Germany.

# BNL chiefs defended

BY JOHN WYLES IN ROME

THE BANK of Italy said yesterday that a leaked report on the management of Italy's largest commercial bank, Banca Nazionale del Lavoro, did not imply a judgment on its "efficiency or corporate strength."

The central bank, in a letter to La Repubblica, which obtained the confidential report and BNL's responses to it, said that its inspectors produced two reports after they had examined a bank. One, intended for the central bank's management, never left its headquarters in Rome's Via Nazionale. The other was "on aspects of management considered in need of improvement and correction."

It was this second report which was leaked to La Repubblica and headlined "16 criticisms by Ciampi (president of Banca d'Italia) of the BNL."

"One cannot, nor should one, draw any conclusions from (the report) on the efficiency or corporate strength of the bank," the letter said.

# ITT, CGE 'clear deal hurdles'

BY TERRY DODSWORTH IN LONDON

ITT, the US multinational, gave a strong indication yesterday that it had cleared most of the hurdles in its proposed telecommunications joint venture with Compagnie Générale d'Electricité (CGE), the French state-owned electrical group.

Following a letter offering early redundancy to about half its New York headquarters staff of 850, the company said that the cost of the programme would be charged against the CGE transaction. The redundancies, it added, would begin immediately and would cost about $30m.

Mr Rand Araskog, the ITT chairman, said in July that the group expected redundancies in its headquarters staff as a result of the CGE deal. But the letter is the first time the group has spelt out a concrete plan, and suggests that it is confident of concluding the agreement, despite reports that certain aspects of the joint venture have run into problems.

Asked about these doubts yesterday, ITT said that there were no major issues left outstanding in the negotiation of the transaction. All financial aspects of the joint venture had been agreed, along with the proposed management and corporate structures, it added. "What is left is administrative, legal and tax work."

ITT expects to conclude these detailed negotiations by the end of the year, when it is due to emerge with a 37 per cent stake in the joint venture.

# AMI falls into loss

BY OUR NEW YORK STAFF

AMERICAN Medical International (AMI), one of the leading US hospital groups, has incurred heavy losses for fiscal 1986 – its first full-year deficit for 25 years – despite strong revenue gains.

The loss of $97.3m includes $38m of pre-tax losses from discontinued operations and write-downs and additions to reserves of $316m. It was struck on revenues of $3.47bn against $2.65bn last year when the group earned $163.8m or $1.94 a share.

For the fourth quarter the net loss was $85.3m on revenues of $893.5m, against a net profit last time of $25.8m or 30 cents a share on revenues of $706.7m.

The quarterly deficit includes $27m loss from discontinued operations and $127m of pre-tax write-downs and additions to reserves.

Included in the $316m of special charges for the year was a $85m write-down related to the closure of the group's health services division, which had developed and marketed the company's Amicare health insurance products. This had only been in operation since 1984 as part of a diversification programme

# US regional banks sharply up

BY WILLIAM HALL IN NEW YORK

CHEMICAL NEW YORK Corporation, parent of the sixth biggest US bank, yesterday reported a 3.7 per cent increase in its third-quarter net income to $99.1m, while several smaller regional US banks reported sharp increases in earnings.

Chemical is the first of the major money centre banks to report its third-quarter earnings and its sluggish performance contrasts with the rapid profit growth being experienced by most US regional banks. Barnett Banks of Florida yesterday reported a 19 per cent rise in third-quarter net income to $39.1m and the Bank of New England reported a 33 per cent jump in third-quarter earnings to $46.7m.

The jump in earnings at the two regional banks follows similar gains at Suntrust Banks and Fleet Financial, which have both reported their results this week, and reflects the superior performance of most regional banks relative to their larger US money centre bank competitors. The latter continue to be plagued by rising loan losses and sluggish loan growth.

Chemical says that its third-quarter earnings reflected an advance in net interest income, improved gains on the sale of investment securities, higher profits from securities trading and stronger service fees. These improvements were partially offset by increased operating expenses, a moderate advance in the provision for loan losses and higher income tax expense.

Chemical earned $1.87 per share in the latest quarter, a 7 cents increase on a year ago.

# Wagons-Lits seeks 80% rise by 1988

By John Wyles in Rome

WAGONS-LITS, the Belgian travel catering and hotels group, is seeking an 80 per cent rise in profits by the end of 1988 on the back of a major development of its hotels division.

Later this month, the company is abandoning the three different names of its hotel chains – PLM-Etap, Frantel and Arcade – in favour of the single "Pullman" identity. Wagons-Lits is in the middle of a building programme which, by the end of this year, will have added 19 establishments and 3,300 rooms to its capacity of 175 hotels in 27 countries.

Mr Francois Boyaux, the company's general manager, said yesterday that the building programme and the re-organisation would enable the company to offer a range of accommodation from low-priced one-star, to luxury four-star.

The hotels business accounts for almost 18 per cent of turnover. Mr Boyaux said Wagons-Lits was looking for further hotel development opportunities in the Middle East and the US.

The company hopes to double its 1984 return of Fl 531.9m ($12.4m) by 1988.

Apart from hotel development, Wagons-Lits also hopes to widen the profit margins of its hotel and catering businesses acquired in the past few years and to defend its unrivalled position as a provider of food and sleeping services on the railways.

Mr Boyaux said the company wanted to acquire new businesses.

# Ford lifts payout 18%

By Our New York Staff

FORD MOTOR, the second biggest US car maker, yesterday raised the dividend for the fourth quarter from 55 cents to 65 cents – an 18 per cent increase on the third quarter dividend.

Mr Donald Peterson, chairman, said that the increase, combined with a previously announced plan to buy up to 45m of the company's shares, illustrated Ford's continuing commitment to its shareholders and the value of their investment.

For the second quarter Ford's profits rose by more than 54 per cent to a record $1.08bn or $4.02 a share on sales 25 per cent ahead at $17.3bn.

In contrast General Motors, the biggest US car maker with 60 per cent more sales than Ford, which has been struggling to cut costs, reported second-quarter earnings of $978m.

# Hambros seeks wider links in Europe

BY OUR FINANCIAL STAFF

HAMBROS, the UK merchant bank which recently cemented links with Istituto Bancario San Paolo di Torino of Italy, said yesterday it would welcome other new shareholders as part of its drive for wider European co-operation.

Hambros said it was in talks about business co-operation with a major West German bank. It hoped to be in a position to give more details before the end of the year.

San Paolo, which acquired 6.5 per cent of Hambros earlier this month, is lending the merchant bank £50m in 15-year subordinated debt at market rates as part of the wide-ranging co-operation planned between the two banks.

Hambros said it would use the links with San Paolo to expand rapidly in European corporate finance and fund management. It was already forming a substantial European takeover department.

The £50m of new debt would be added to the bank's capital base and would improve capital-gearing ratios to more than 13 per cent whereas the bank's present minimum capital ratio floor was about 9 per cent.

San Paolo confirmed that its links with Hambros would lead to parallel board representation with each group appointing one director.

It said it had no immediate plans to change its Italian banking status as a state-controlled foundation. But it added that the option to issue some sort of share capital was one that was open to it.

# INTL. COMPANIES

## CBS revenue ahead but profits decline to $28m in quarter

BY DAVID BLACKWELL IN NEW YORK

CBS, the troubled US broadcasting group, suffered a slight decline in the third quarter, with net profits of $28.6m or $1.09 a share against profits from continuing operations of $29.1m or $1.06 last time. Revenues edged ahead to $1.15bn from $1.12bn.

In the 1985 third quarter the group was in the red to the tune of $114.1m after taking a loss from discontinued operations of $31.2m and a further loss of $112m for the disposal of discontinued operations.

CBS said that although its operating profits were 20 per cent higher in the latest quarter, income from continuing operations was down because of several unusual charges. These included write-downs on film rights and other assets, costs associated with the closure of the CBS Technology Center and charges related to staff reductions.

The company was not optimistic about the outcome for the full year, citing the seasonal nature of several of its key operations, and the weakness of the advertising market – particularly for network television – which it expected to continue.

At the nine-month stage net profits from continuing operations reached $151.8m or $6.06 a share, against $147.2m or $5.12 a share last time. The latest figure includes $12m from discontinued operations offset by an extraordinary loss of $11.7m. This left a final net profit of $152.1m or $6.07 a share.

The 1985 nine-month figure includes a loss of $56.5m from discontinued operations and a further loss from disposals of $120.8m, resulting in a final net loss of $28m.

Revenues were $3.57bn, against 3.41bn last time.

## N. AMERICAN QUARTERLIES

**COLT INDUSTRIES**
Motor aerospace parts

| Third quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 386.8m | 372.6m |
| Net profits | 24.5m | 31.1m |
| Net per share | 1.24 | 1.44 |
| Nine months | | |
| Revenue | 1.20bn | 1.17bn |
| Net profits | 79.8m | 106m |
| Net per share | 4.06 | 4.75 |

**MEAD CORPORATION**
Paper, pulp and packing

| Third quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 837.4m | 709.5m |
| Net profits | 36.3m | 23.6m |
| Net per share | 1.16 | 0.76 |
| Nine months | | |
| Revenue | 2.29bn | 2.10bn |
| Net profits | 89m | 80.3m |
| Net per share | 2.85 | 2.59 |

**WHIRLPOOL CORPORATION**
Household appliances

| Third quarter | 1986 $ | 1985 $ |
|---|---|---|
| Revenue | 1.11bn | 890.4m |
| Net profits | 55.8m | 44.7m |
| Net per share | 1.51 | 1.22 |
| Nine months | | |
| Revenue | 3.08bn | 2.64bn |
| Net profits | 157.4m | 132.5m |
| Net per share | 4.27 | 3.62 |

## Ryan rejects $292m offer by NV Homes

BY OUR NEW YORK STAFF

RYAN HOMES, a US housebuilding concern, has rejected the $45-a-share unsolicited offer by the much smaller NV Homes, a housebuilding company operating in the Washington DC area.

But Mr Dwight Schar, chairman and chief executive of NV Homes, said his group would continue its offer, which values Ryan at $292m. He was "shocked and dismayed" at the Ryan board's unanimous rejection of the offer, and fully expected Ryan shareholders to tender their shares at the offer price.

He declined to disclose how many shares had been tendered since the bid was launched last month, but said that $45 was higher than Ryan's stock price during the past two years.

Earlier Ryan said it would amend its poison pill shareholders' rights plan. Mr Schar said the move indicated that the poison pill was not working.

# INTERNATIONAL COMPANIES and FINANCE

## Pan-Electric Industries put into liquidation

By Steven Butler in Singapore

A SINGAPORE court yesterday ordered Pan-Electric Industries, the collapsed property and marine salvage group, into liquidation, ending six months of opposition by shareholders to the final break-up of the company.

Price Waterhouse, which has served as receivers and managers, and then provisional liquidators for the company, was appointed liquidator by the court.

Shareholders had argued in court that Price Waterhouse had made massive errors in evaluating the worth of Pan-Electric and that the company was solvent at the time it had been ordered into provisional liquidation.

Mr Justice Lai Kew Chai, however, said that the evidence for Pan-Electric's insolvency was overwhelming. He granted a request from counsel for the bank's petitioning to wind up the company that statements about errors or the lack thereof in the work of Price Waterhouse should not be admitted, as they were irrelevant to the basic finding that Pan-Electric was insolvent, and because Price Waterhouse was not in a position to defend itself at the hearing.

Mr David Mason of Price Waterhouse said that it continued to stand by the accuracy of its reports on Pan-Electric. He argued that the company would have required an immediate, massive injection of cash in order to become viable, and that this cash was not available.

The collapse of Pan-Electric in November last year prompted a crisis of confidence in the Stock Exchange of Singapore that led to an emergency three-day closing of the market while a rescue was worked out.

Rescue attempts collapsed when Mr Tan Koon Swan, a director of the company, failed to inject cash into the company as promised. Mr Tan has since been jailed in connection with charges stemming from misuse of company funds.

Most of Pan-Electric's main assets, which included the Orchard Hotel, and Selco, a large marine salvage company, have already been disposed of by the provisional liquidators.

## JCI to float ferro-chrome unit on Johannesburg SE

BY JIM JONES IN JOHANNESBURG

JOHANNESBURG Consolidated Investment (JCI), the South African mining house, has offered shareholders a direct participation in Consolidated Metallurgical Industries (CMI), its ferro-chrome producer, which will be quoted on the Johannesburg Stock Exchange on November 6. The house's original intention of acquiring a primary listing for the shares on the London Stock Exchange has been abandoned though trading is expected to take place under Rule 535.4.A.

Shareholders of JCI, apart from those in Canada and the US, have been offered one CMI share at a price of R4 for every JCI share. On completion of the issue, CMI will have 42.5m shares in issue of which 35m will be held by JCI, together with its associated companies and its parent, Anglo American Corporation; 176,500 shares will be held by JCI executives and the remaining 7.4m by outside investors.

CMI's ferro-chrome plant near the Transvaal town of Lydenburg was brought into production in 1977. Its two production lines are each capable of producing 75,000 tonnes of ferro-chrome a year, all of which is exported to the US, Japan and Europe. The product contains about 52 per cent chrome and the production technology is based on that developed by Showa Denko.

The directors warn that ferro-chrome markets are cyclical. In 1982 and 1983 CMI suffered operating losses, even though turnover increased steadily, and JCI deconsolidated its interest in the company. During the year to June 29 1986 the plant produced at full capacity, turnover rose to a record R114m ($51m) from the previous year's R78.5m and the pre-tax profit was R41.8m against R15.2m.

The directors believe that the current financial year's trading results will be much the same as last year's and that CMI will not be materially affected by trade sanctions against South Africa. They also expect a R35.5m tax loss to be exhausted this year and the company will incur a tax liability. Nevertheless a dividend of 50 cents a share is forecast

## Pao to reduce stake in Wharf

BY DAVID DODWELL IN HONG KONG

SIR YUE-KONG PAO, one of Hong Kong's most influential businessmen, took a second step yesterday towards the reorganisation of his property and shipping interests when he announced plans to dilute his master company's holding in Wharf (Holdings), his main property group, by means of a share placement that will raise over HK$700m (US$89.8m).

The first move came last week, when World International (Holdings), Sir Y. K. Pao's master company, paid HK$692m for Lane Crawford, the Hong Kong retail group. Lane Crawford was owned by Hongkong Realty, a company acquired by Sir Y. K. Pao when he took control of the Wheelock-Marden group in the middle of last year.

Wholesale reorganisation of Sir Y. K. Pao's corporate empire has been mooted ever since he acquired Wheelock, the ailing "Hong" which is gradualy being assimilated into the parent group.

Reorganisation is expected to be carried out piecemeal over a period of months. In a move clearly linked with the reorganisation, Sir Yue-Kong recently resigned his positions as chairman of Wharf, and of his shipping subsidiary, East Asia Navigation. He has passed these positions into the hands of his sons in law, Mr Peter Wood and Dr Helmut Sohmen.

World International is to place 85m shares in Wharf at a price of HK$8.50 a share. This will reduce World's holding in Wharf from 66 per cent to just 40 per cent.

A World spokesman said last night that funds raised by the placement will be used to further the group's diversification programme following the Lane Crawford acquisition.

The placement has been underwritten by Wardley and has been arranged jointly by stockbrokers James Capel and Hoare Govett.

## First Pacific Holdings to acquire Hong Nin Bank

FIRST PACIFIC Holdings, the Hong Kong-based financial group controlled by the Liem family of Indonesia, has agreed to acquire Hong Nin Bank, one month after the Hong Kong Government assumed management control and extended emergency credits to the troubled institution, AP-DJ writes from Hong Kong.

The terms of First Pacific's acquisition differ only slightly from a proposal the group put forward in July to acquire Hong Nin, a small local bank.

That proposal was temporarily derailed by the government's intervention on September 8, when it was disclosed that the bank's shareholders' funds of HK$153m (US$17m) might prove inadequate to cover problem loans of as much as HK$160m.

Since then, First Pacific has been engaged in what Mr Ricardo Pascua, an executive director, described as "long and arduous" talks with Hong Nin and the government to conclude its purchase

First Pacific said it would pay up to HK$150m for Hong Nin. Instead of paying HK$25m of that amount in cash, as it had originally proposed, First Pacific said its ultimate shareholders, the Liem Family, would issue 1,044,460 existing ordinary shares in First Pacific to the shareholders in Hong Nin.

Majority ownership of Hong Nin is held by China Hong Nin Life Insurance. Under terms of the agreement disclosed yesterday, ordinary shareholders in Hong Nin would receive one First Pacific share for each Hong Nin share held, while founders of the bank would receive 20 First Pacific shares for each Hong Nin share.

## Puma suffers fall in US turnover

PUMA RUDOLF Dassler Sport, the West German sporting goods producer, is facing difficult conditions in the US, its most important export market, because of stiff competition and the dollar's steep decline against the Deutsche Mark, Reuter reports from Munich.

US turnover so far this year has fallen in Deutsche Mark terms compared with the same 1985 period, the company said yesterday. Although domestic turnover was up 20 per cent and sales were also higher on other export markets, these gains could not fully compensate for the lower US turnover.

Puma still expects to meet its dividend target for 1986.

The company, like other athletic shoe producers, admits it has lost shoe market share in the US to Reebok this year.

## Receivership for Promet

PROMET, THE financially troubled Malaysian marine engineering and property conglomerate, failed yesterday in its bid to overturn High Court orders obtained by its creditor banks appointing receivers and freezing the group's assets, AP-DJ reports from Kuala Lumpur.

## Sony plans expansion of overseas production

SONY CORPORATION plans to expand overseas production from the present 22 per cent to 35 to 40 per cent of its total sales, while placing more emphasis on visual and audio devices such as colour televisions, video tape recorders (VTRs), compact discs and CD players, Kyodo reports from Tokyo.

The company plans to increase the monthly production of CDs in the US from the present 1.5m units to 2m by the year-end and to 4m next year and domestic production will be raised from 3m a month to 4m by the year end.

CD production is expected to begin in Australia in the summer next year and will be about 1m a month, bringing the company's total monthly CD output to 9m next year.

Sony is also expected to begin production of 8mm VTRs with a monthly capacity of 5,000 units in France later this year.

The French plant will supply 8mm VTR parts to existing production facilities in West Germany and Spain and will put out CD players at a monthly rate of 10,000 units.

# INTERNATIONAL CAPITAL MARKETS and COMPANIES

**Andrew Gowers and Michael Fields** on what economic downturn in a Gulf state means for the offshore banks

## Bahrain forced to lower its sights as financial centre

UNCERTAINTY is deepening in Bahrain's offshore banking community as it tries to adjust to the sharp reversal of economic fortunes in the Gulf over the past two years and grapples with a far-reaching change in the pattern of its business.

As in just about every other financial centre of the world, the fashion is for investment banking. But bankers in Bahrain are finding the shift from traditional forms of activity to fee-generating business to be fraught with problems.

From the mid-1970s overseas banks and regional investors were encouraged to set up Offshore Banking Units (OBUs) in Bahrain. At first the idea was that they would complete a chain of money markets around the world and would carve themselves a role in recycling the region's huge capital surplus. In practice their activities came to centre on regional money market operations and on lending for projects in Saudi Arabia.

The downturn in construction and trade brought on by falling oil prices, coupled with a resulting rash of bad debts, has caused most banks to retrench, and has left many wondering what their Bahrain operations should be doing in the next few years.

The news is by no means all bad, however. Ibrahim Abdul Karim Mohammed the Finance Minister, reacted angrily this year to bank departures, warning those which withdraw that they cannot expect to be let back in if, and when, the good times return.

Yet the number of overseas banks — 13 in all — that have closed OBUs, investment banks or representative offices in Bahrain since the beginning of 1984 is small in relation to the 71 OBUs, 16 investment banks and 63 representative offices still listed.

Those that have gone — like Kredietbank this year and Security Pacific in 1985 — were all of peripheral importance to Bahrain as a financial centre.

Furthermore, the traffic is still to some extent two-way, illustrating that structural changes are under way rather than merely contraction.

Recent newcomers include a Japanese-Arab group called Okasan International, Australia's Elders IXL group, and Robert Fleming, the British merchant bank.

More worrying for the Government is that just about every OBU operating in Bahrain—from Citibank and Barclays to the locally incorporated units—has had to dismiss staff recently. Employment is a highly sensitive issue in Bahrain, one of the less prosperous Gulf states, and educated Bahranians have been encouraged to seek careers in banking—and to expect commensurate salaries.

According to the Bahrain Monetary Agency, the central bank, employment in the banking sector as a whole has declined by about 10 per cent over the last two years.

> Fewer institutions in Bahrain these days have a clear sense of their role or how they are going to make money into the 1990s. The hoped-for transition to investment banking is not going to happen overnight.

This is partly a reflection of cost-cutting but it is also because a sizeable numer of banks has withdrawn entirely from important areas of business. The number of banks with active dealing roms, for example, is estimated to have dropped from more than 20 to around 10. As far as lending is concerned, most OBUs areshunning new business and limiting themselves to chasing bed debts.

Profits are still to be had for those banks prepared to deal or to lend. Manufacturers Hanover Trust has aggressively carved out a regional niche in foreign exchange; and Arab Banking Corporation (ABC) and Gulf International Bank (GIB), the two largeand successful locally incorporated OBUs, continue actively—if selectively—to market new loans, in spite of their exposure to problem borrowers in Latin America and the Arab world.

The Government is also going to considerable lengths to make *life easier* for those institutions which choose to stay busy by cutting telecommunications and social security charges and reducing municipal taxes. The authorities havealso made it clear that they will be more flexible in future about insisting on the promotion of Bahrainis, and have eased up on other bureaucratic irritations such as the granting of work permits.

Yet there is no escaping the fact that fewer institutions in Bahrain these days have a clear sense of their role or of how they are going to make money into the 1990s.

Many of the OBUs talk of investment banking—of advising companies and arranging mergers and acquisitions, and of boosting their capital market activity and portfolio management work.

The hoped-for transition is clearly not going to happen overnight. Corporate consultancy is an unproven art in the Gulf, and few bankers believe it will catch on particularly fast. The management of the big family companies is too personal to be receptive to outside advice. Regional capital markets have not even begun to develop.

Uncertainty is very acute among the locally incorporated OBUs, with the exception of Arab Banking Corporation and Gulf International Bank. These banks — notably Bahrain Middle East Bank, United Gulf Bank, Bahrain International Bank and Kuwait Asia Bank — were set up with large sums of capital in the early 1980s, principally as an outgrowth of the ill-fated speculation that was gripping the Kuwaiti economy. They joined the Gulf's corporate lending bonanza and the international syndicated loan market.

But by definition as OBUs they were never able to develop a deposit base. Also, since the opportunities for lending with inter-bank money have begun to peter out and profit margins narrowed, they have been unsure where to turn. After a few years of dizzying balance-sheet and profit growth, their assets and liabilities shrank and red ink appears on some of their accounts.

Ibrahim Abdul Karim Mohammed: they cannot expect to be let back if and when the good times return.

The Bahraini authorities, in conjunction with the Kuwaiti Government, which given the Kuwaiti shareholdings has an obvious interest in strengthening these operations, have suggested mergers to cut costs and reduce duplication of facilities.

Yet some bankers believe that would simply spread their bad debt burden rather than providing them with a profitable new line of business.

Two of the local OBUs — Bahrain International Bank and United Gulf Bank — are now devoting themselves entirely to investing their own capital in western securities and real estate. This may be profitable, but it also calls into question their status as banks.

The other route for Bahraini offshore banks is to try to create a niche for themselves in international capital markets. Arab Banking Corporation, has strengthened its presence in London during the past 18 months, and has moved to build a diversified deposit base by buying Banco Atlantico in Spain and Sun Hung Kai Bank in *Hong Kong*. The more conservatively managed Gulf International Bank is also actively dealing in securities from its headquarters in Bahrain, while Bahrain Middle East Bank is giving itself an entree into western markets by setting up joint financial ventures with Bank Leu in Switzerland and members of the Hambro family in Britain.

All this necessarily entails a lowering of sights for Bahrain as a financial centre. It has a well-positioned time zone for trading and ready access to the continuing capital surplus of the region. The challenge for its banks is to develop the expertise and the connections to be able to exploit those advantages.

## Chemical names new investment bank chief

By Peter Montagnon, Euromarkets Correspondent

CHEMICAL BANK yesterday appointed Mr John Howland-Jackson, a director of Kleinwort Benson, to be the new head of its London investment banking arm.

The unexpected announcement marks the start of an ambitious attempt by Chemical to raise its profile in the international capital markets.

The bank has also appointed Mr Cyrus Ardalan, chief of a division of the World Bank, to head a new product development department for its investment banking division in New York.

Mr Albert Fishman, Chemical's senior executive vice-president in charge of investment banking, said "These appointments are a big indication of Chemical Bank's progress in developing as a major player in global corporate finance and capital market activities."

Mr Alex Gibson, currently managing director of the London-based Chemical Bank International is to leave the bank "to pursue other interests," the bank said. Mr Gibson was not available for comment yesterday.

Chemical is the sixth largest US bank in terms of assets and the 10th largest bank in the world in terms of net income, but has been slow to make its mark in international capital markets.

## Chilean purchase by NZ Dairy Board

NEW ZEALAND Dairy Board is to acquire a majority shareholding in Anagra, the Chilean agricultural company. The NZ$60m purchase price will be financed by borrowing, Dai Hayward reports from Wellington.

Anagra controls one of Chile's three largest dairy companies with a distribution system covering 75,000 outlets.

## Three Eurodollar issues in thin trading

BY CLARE PEARSON

EUROBOND prices drifted in thin trading yesterday but three fixed-rate Eurodollar deals for well-known state-backed issuers were launched. Borrowers stayed in the short maturities, however, since this is the only area attracting demand at the moment from investors concerned about a long-term exposure to the US dollar. This tactic generally proved successful.

Samuel Montagu was first off the mark yesterday with a $150m five-year 7 per cent deal, priced at 100¼, for Caisse Nationale des Telecommunications (CNT), guaranteed by France. The lead-manager said it made sizeable sales early in the day to Far Eastern investors, who are still displaying an appetite for short-dated, government-backed Eurodollar bonds. Dealers described the deal as being priced in line with secondary market levels for French state paper.

Later Chase Manhattan launched a $100m four-year issue for Regie des Telegraphes et des Telephones (RTT), the Belgian telecommunications entity. This was priced with a 7¼ per cent coupon and 100¼ issue price. This pricing reflects the bond's large denominations and registered form, making it unattractive to retail investors.

INTERNATIONAL BONDS

The issues for both CNT and RTT were quoted at discounts to issue price inside the level of their total fees.

But dealers were more enthusiastic about a late $100m five-year issue for the EEC, led by Credit Commercial de France. The 7 per cent bond was priced at 100½ with a 7 per cent coupon, and was quoted at a bid price of 99¼, comfortably within 1⅞ fees.

Meanwhile, Dresdner Bank tapped both the dollar and the D-Mark sectors with deals led by itself. In dollars, Dresdner issued a $250m floating-rate note with equity warrants, priced at 110 and paying interest at London interbank bid rate flat. There are $10,000 and $100,000 bonds, carrying 20 and 200 warrants respectively into Dresdner Bank shares at DM 410. The bond with warrants was quoted at around its issue price.

In D-Marks, Dresdner launched a DM 500m 5 per cent five-year bond priced at 107, with warrants into shares at the same price as the dollar bond. This was quoted at 108 bid.

Elsewhere trading in the D-Mark market was lacklustre with prices moving down by about ¼ point in places.

Late in the day CSFB-Effectenbank led a DM 150m seven-year 3¾ per cent par-priced bond with equity warrants for Union Bank of Finland.

The DM tranche of the recent four-tranche multi-currency deal for Elders (UK) was quoted yesterday at its par issue price. But the sterling and dollar tranches slipped to as low as 98 bid on one broker's screen, although the lead-manager quoted a 99¼ bid price later in the day.

## CP deal for Hawker Siddeley

By Our Euromarkets Correspondent

HAWKER SIDDELEY, the UK engineering group, has appointed Credit Suisse First Boston, Bankers Trust and S. G. Warburg to act as dealers in its new $225m Eurocommercial paper programme.

The programme is designed to finance the company's recent acquisitions in the US and to provide funds for more acquisitions, Mr Geoffrey Comer, its treasurer, said yesterday.

It follows the recent arrangement of a standby loan facility for the company which was oversubscribed and increased to $225m from an original $200m, despite its fine facility fee of five basis points for the first four years rising to 6¼ points for the next 3½.

Banks participating in the deal include Barclays, Bankers Trust, CIBC, Royal Bank of Canada, Midland, Credit Suisse, Deutsche, Westpac and Societe Generale.

● Manufacturers Hanover has arranged a $150m Euronote facility for F. L. Smidth, the Danish industrial group, which involves an underwritten portion of $36m. Other terms were not disclosed.

## Euro-paper programme by Farm Credit of Canada

BY HAIG SIMONIAN

FARM CREDIT Corporation, the AAA-rated Canadian Government entity, is launching the first Euro-commercial paper programme which specifically envisages Canadian dollar paper sales to investors in Europe.

The programme, which is to be signed next week, has been arranged by Swiss Bank Corporation International. Dominion Securities, McLeod Young Weir and Wood Gundy are co-dealers.

This is only the fourth time a Canadian issuer has tapped the Euro-commercial paper market.

Farm Credit Corporation, which has an existing commercial paper programme in Canada, provides long-term credit and financial advice to Canadian farmers.

The new programme allows paper to be issued in either US or Canadian dollars, with notes in $500,000 denominations in either currency, offering investors arbitrage opportunities.

## Air France sets up $150m loan facility

By Our Euromarkets Correspondent

AIR FRANCE has launched a $150m, seven-year loan facility in the Euromarkets under the leadership of Credit Lyonnais.

The deal carries an annual commitment fee of 5 basis points, which is higher than that prevailing on the recent $300m facility for Credit National, but this reflects the fact that debt of the state-owned airline does not carry an official guarantees.

*The facility*, the *amount of* which will be limited to $75m in the first two years of its life, will allow Air France to raise money through the sale of Euronotes or by soliciting short-term cash advances from participating banks.

It will be backed up by a standby credit carrying interest at the London interbank offered rate for Eurocurrency deposits, plus a utilisation fee of up to 11 basis points depending on how much is drawn.

Credit National's deal meanwhile closed syndication yesterday with subecriptions of $600m, exactly twice the amount sought.

Although the deal will not be increased, this marks a strong success, given its very fine terms. Some 30 per cent of the total is being provided by Japanese banks and 15 per cent by French banks.

## Peat Marwick and KMG US merger approved

By Our Financial Staff

THE US partners of Peat Marwick Mitchell International and those of KMG/Main Hurdman, a subsidiary of Klynveld Main Goerdeler, have approved the proposed merger of the two accounting and consulting firms in the US.

Peat Marwick said Mr John A. Thompson, KMG's chairman, would serve as executive vice-president of the merged company, Mr Larry D. Horner, Peat Marwick's chairman and chief executive retaining his posts.

Internationally, the merged firm will be called Klynveld Peat Marwick Goerdeler.



## FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on October 9

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amoco Co. 9¾ 16 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Atlan. Richfield 10¼ 00 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Australia Com. 11 95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Australia Com. 11¼ 00 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BP Capital 9⅛ 94 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BP Capital 11¼ 92 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Campbell Soup 10⅛ 95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada 9 96 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada 11½ 90 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canadian Pac. 10¼ 95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| CEPME 10¼ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credit Lyonnais 9 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credit National 9⅛ 95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark Kingdom 7 89 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark Kingdom 7¾ 95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark Kingdom 8¾ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Deutsche Bank Fin. 8 96 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| EDC 8⅛ 92 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| EEC 8¼ 96 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| EEC 8⅝ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| EEC 9⅞ 90 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| EIB 10¼ 94 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| EIB 12 95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Eurofima 7¾ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Export Dev. Cpn. 10 90 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Finland 7½ 93 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ford Motor Cred. 10⅛ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ford Motor Cred. 11½ 90 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Gen. Elec. Cred. 10¼ 00 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GMAC 10¼ 89 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GMAC 8½ 93 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| IADB 9⅞ 95 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Liberty Mutual 8½ 96 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LTCB of Japan 8 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Merrill Lynch 8¾ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Mercds.-Benz Cred. 7⅞ 93 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| New Zealand 8¾ 93 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway Kingdom 7⅞ 91 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

# UK COMPANY NEWS

## McCorquodale white knight quits

BY NIKKI TAIT

McCorquodale, the printing and publishing company which is fighting an unwanted £140m bid from the smaller printing group, Norton Opax, yesterday announced that it has terminated discussions with its "mystery" white knight.

At the same time, the company put out a profits forecast, estimating that it has made about £14m before tax in the year to end-September, compared with £10.2m last year.

Although the identity of the white knight was never officially disclosed, the market was convinced that it was Extel, the printing, news agency and publishing group.

Commenting on the breakdown, Mr John Holloran, McCorquodale's chief executive, said: "It was due to factors outside our control—it was not because the two companies didn't like the look of each other."

The intervention of Mr Robert Maxwell, the publisher, who built up a 7.5 per cent stake in McCorquodale earlier this month, had not helped, he added. "Any bidder has to be reasonably certain of ending up with 100 per cent."

Mr John Wood, left, chairman designate of McCorquodale and Mr Richard Hanwell, chief executive of Norton Opax.

Mr Maxwell was believed to be interested in blocking a potential bid by Extel, in which he has a 26 per cent share.

Other potential white knights have been rumoured for McCorquodale in the past, but after yesterday's profit forecast and with its defence document likely to be published next week, the company appears determined to see off Norton Opax on its own. Said Mr Holloran, "My view is that McCorquodale will remain independent—we are confident."

Equally confident is Mr Richard Hanwell, chief executive at Norton Opax, who said yesterday that he believed that McCorquodale had waved the white flag. Norton Opax's offer, its final, closes on October 22. The company holds 12.8 per cent of McCorquodale, but Norton's share price, down 7p at 263p on the news, remains a little above the 260p level at which Norton Opax could start adding to its stake again.

McCorquodale shares slipped 4p to 136p on the announcement.

The McCorquodale profits forecast is in line with analysts' estimates, and the pre-tax total is helped by a £2.5m reduction in pension costs during 1986. The company says that profits from financial products have increased sharply thanks to higher market shares, better margins and improved productivity.

Database publishing and book and magazine production have also done well, though there will be a fall in the contribution from associates.

The company also expects to incur a lower tax charge, 27 per cent against 31 per cent last time, leaving earnings per share of 20p, compared with 12.54p in 1985. There will be a further £2.5m profit below the line, resulting from the sale of its 25 per cent interest in The Dealers' Digest.

A final dividnd of 5.25p a share will be recommended, making a total of 8p for the year, 40 per cent up on 1985. The figures make no allowance for the costs of fighting the Norton Opax bid.

## New finance director for Babcock

By Charles Batchelor

Babcock International, the engineering group, has appointed a new finance director — Mr Christopher Taylor, currently deputy finance director of Tarmac, the construction company.

He will replace Mr Brian Knightley, currently Babcock finance director, who has been appointed assistant managing director. Mr Knightley said these changes had been made to give him more time to oversee the group expansion programme, which includes acquisitions, and because he was 3½ years away from retirement and a successor had to be found.

He denied the appointments were intended to strengthen the board in the event of Babcock facing a hostile takeover bid.

Last month Rainbow Corporation, the New Zealand leisure group headed by Mr Craig Heatley, revealed it had increased its stake in Babcock to about 5 per cent.

## Photo-Me betters forecast

Profits before tax of Photo-Me International rose 26.1 per cent to £6.9m in the year to April 30 last beating its estimated forecast by around £0.5m. Turnover showed an 18.3 per cent increase to £57m. The operating from £36.7m to £45.75m, but there was little change in manufacturing, down from £11.23m to £11m.

The strength of overseas currencies in relation to sterling, as referred to in the February interim statement, had a positive effect on the year's results.

The company continued to expand its activities in existing and newly-developed markets. Capital investment in revenue-producing equipment amounted to £5.16m.

The company's new product division successfully launched the Autoportrait range of systems for the professional. This would be demonstrated to shareholders at the forthcoming annual meeting.

After tax of £2.94m (£2.45m) and minority interests of £715,000 (£737,000) and adding back extraordinary items amounting to £349,000 (nil), available profits increased from £2.26m to £3.25m. Earnings per 25p share, including the exceptional items, are 55.20p (38.87p).

A final dividend of 4p making a total of 5.75p (4.35p) has been proposed and the directors state that it is the intention to increase the interim payment to 2p next year, making a total of 6p for the year.

## BIA confidence as profits climb

IN its first figures since joining the Unlisted Securities Market earlier in the year, British Island Airways yesterday reported pre-tax profits up from £410,000 to £514,000 in the six months to June 30 1986. Turnover climbed from £8.34m to £12.44m.

Mr Peter Villa, chairman and managing director, said the long-term outlook for BIA remained good. The small independent airline was ideally suited to take advantage of the large number of developing opportunities within the airline travel field.

BIA, which provides complete aircraft to holiday tour organisations, companies and specialist clubs on a regular or ad hoc basis, already had a large number of bookings for aircraft during the winter months.

Mr Villa said the second half of the current financial year had started well and the directors were confident, subject to unforeseen circumstances, that they would meet the profit forecast of £1.5m for the year as contained in the recent prospectus.

The directors intend to propose a final dividend in respect of 1986 of 2.25p, which would be paid in May. Stated earnings per share were 2.7p (2.1p).

## TSB could have quiet start at above 90p

By Richard Tomkins

THE POST OFFICE was last night gearing itself up for one of its biggest mailings as it prepared to deliver 5m letters of acceptance or rejection to applicants for shares in the TSB in time for the start of dealings today.

The deliveries will add to the Post Office's normal workload of 42m letters a day by nearly 12 per cent, but it was confident that it would be able to cope.

"Our record has been pretty good with previous issues such as British Telecom and Britoil," the Post Office said. "Our target is to achieve next-day delivery for 90 per cent of first-class letters and we hope to beat that with the TSB."

Some 3.14m people who applied for shares will be receiving an allocation and nearly 2m will receive rejections. The weight of the response to the £1.5bn offer for sale was such that the original date for the despatch of acceptances and rejections had to be put back for two days.

Dealings begin at 9 am this morning and, as with other big issues, the Stock Exchange has decided to open the trading floor 10 minutes early to allow stockbrokers to start queueing for the jobbers.

However, many suspect that the start to dealings could be relatively quiet because most investors will not receive their allocations before setting out for work.

The consensus among the jobbers yesterday was that the partly-paid 50p shares would begin trading at 90p to 95p, considerably more than the estimated 85p which had been predicted a week ago. They attributed the rise to the buoyancy of the wider market and the difficulties in accumulating sufficient stock to satisfying the demand from institutional investors.

The higher premium was reflected in dealings on the unofficial markets, where the price had risen to about 94p later yesterday compared with an opening of 88p.

See Lex

## Holmes a Court raises stake in Standard

Mr Robert Holmes à Court and his Bell Group confirmed yesterday that they have increased their holding in Standard Chartered, the UK banking group, to just over 10 per cent.

Standard's shares gained 9p yesterday to close at 749p amid speculation of further takeover activity.

Mr Holmes à Court was one of the investors who came to the rescue of Standard Chartered in July when it was fighting off a £1.3bn takeover bid by Lloyds Bank. At the time, he bought an 8 per cent stake and obtained a seat on Standard's board.

Lloyds Bank said yesterday that it had not increased its stake beyond the 4.9 per cent acquired at the time of the bid.

## British Syphon sells drinks division as group profits tumble

IMI, the metals and engineering group, is to buy Coldflow and Vending Centre, the drinks dispensing division of British Syphon Industries, for about £9m, payable in cash.

The announcement yesterday coincided with the publication by Syphon, a diversified industrial holding company, of results for the first half of this year. These showed pre-tax profits down £393,000 to £808,000 on turnover up 10 per cent to £44.4m.

Coldflow and Vending, which will have a turnover this year of about £13m, manufacture and market a range of drinks dispense equipment with particular strengths in beer meters, pumps and remote beer coolers.

IMI says the division's activities will complement the existing range of products by IMI Cornelius which it claims as the leading UK manufacturer of drinks dispense equipment.

Coldflow, which employs 400 people, has two major manufacturing sites at Sheffield and Eastbourne, both of which are planned to stay open. IMI Cornelius employs 340 at its Alcester and Brighouse sites. IMI sees growth prospects for both companies.

Syphon's results for the half year ending June 30 show that the group achieved operating profits of £2.04m, down from £2.3m. Interest was up to £1.13m from £1.1m to leave earnings per ordinary share at 2.6 (5.8).

The dividend is being paid on enlarged capital following the acquisition of Marshall's Universal and is up by a third to 1.67p.

Mr Bryan Morrall, chairman and chief executive, said the high level of interest charges and a difficult half year in the paper manufacturing division were responsible for the lower level of profits. The board was satisfied with significant progress in the longer term development of the group.

The operating profit included only one month's contribution by Marshall's. Mr Morrall said, however, that Marshall's had been successfully incorporated into British Syphon. This was resulting in substantial savings in overheads.

### ● comment

British Syphon's profits shortfall came as a rude shock to investors who had been ill-prepared for the downturn by the optimism of the chairman's statement in the annual report, and the shares dropped 14p to 93p. Most of the downturn can be attributed to the paper manufacturing operation, where the cost of installing new capacity turned a profit of £800,000 into a loss of £250,000, but British Syphon is confident that the pleasure to come will have been worth the pain: its paper mill can now lift production from 70,000 tonnes a year to 100,000 tonnes on virtually unchanged overheads. There are other promising signs: Marshall's should be worth £2m a year when cost-cutting is complete and the disposal of Coldflow will cut capital gearing from 100 per cent to 50 per cent. On unchanged profits of £2.1m this year the prospective p/e ratio looks a little rich at 14, but tomorrow's jam might yet justify the rating.

## Royal Bank calls off unit trust takeover

By Clive Wolman

THE PROPOSED take-over of a £100m unit trust management operation by Charterhouse, the merchant banking and investment subsidiary of the Royal Bank of Scotland, has been called off, it was announced yesterday.

As a result, the Royal Bank, which has 876 branches, remains the only bank in the UK's largest six to be without an own-brand set of unit trusts to offer its customers.

The original proposal, announced in August, was for Charterhouse to take over the management of the six unit trusts currently managed by the Life Association of Scotland (LAS) in Edinburgh. The profits of the merged unit trust operation were to be shared between the two companies.

However, discussions have broken down over the terms of how the profits should be divided. Charterhouse, which has over £2.5bn of funds under management, believed that it was entitled to the lion's share of the profits in view of the size of its management operations and its marketing outlets.

In March, Charterhouse recruited as managing director of its investment management subsidiary, Mr Norman Riddell, who was managing director of Britannia Investment Services.

Mr Riddell was given a brief to add a unit trust leg to Charterhouse's investment services.

Mr Riddell said last night: "We still intend to acquire or to build up a unit trust group. The larger unit trust companies would give an arm and a leg to have our national branch network as a distribution channel."

## ConsGold to raise dividend

BY KENNETH MARSTON, MINING EDITOR

Consolidated Gold Fields the London-based international mining finance group hopes to increase its dividend in the current year to next June after having paid an annual 24.5p per share since 1981.

Making this forecast in the annual report Mr Rudolph Agnew, the chairman, added that a scheme was proposed to offer shareholders a choice of additional shares in place of the cash dividend.

He believed that the group's development of its operational properties "should lead to a substantial improvement in our financial fortunes and, indeed, to a further reduction in our dependence on South Africa," despite this expectation of no major change in markets for the group's products.

Gold is still the group's single most important mining activity and its new finds made over the past five years in North America amounted to about 4.5m ounces at a cost of discovery equal to US$20 per oz. By 1988 Gold Fields expected an annual gold output in the US of some 9 tonnes with the Chimney Creek property due to reach production in the spring of that year.

Gold output at the mines in the group's 48 per cent-owned Gold Fields of South Africa fell to 122 tonnes last year from 135 tonnes but higher gold prices lifted working profits by 23 per cent to R1.8bn (£568m).

Platinum would come into the picture when the new R569m Northam mine in the Transvaal came into production in 1992. Its production costs were expected to compare favourably with those of the competitors owing to higher ore grades which should more than compensate for the greater depths of mining.

Meanwhile, he pointed out that Gold Fields' investment policies had reduced the South African contribution to profits, "and even the total curtailment of contributions from that country has long since ceased to pose a threat to the survival of the company."

See Lex

## Hollis reorganised

Hollis, the stationery, furniture and timber group which is 82 per cent owned by Mr Robert Maxwell's Pergamon Press, is to be reorganised so as to facilitate its expansion plans.

The aim is to increase the companies annual sales of £130m and its market capitalisation of about £80m by more than five times over the next five years, Hollis said.

The size of the main board has been reduced to eight people from 15 though three new directors have been appointed.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| British Syphon ......int | †1.67 | — | 1.25 | — | 3 |
| Campari Intnl ......int | 0.5 | Nov 17 | 0.5 | — | 1 |
| Druck ................ | ‡2.6 | Nov 24 | 2.1 | 4.4 | 3.6 |
| Dura Mill ................ | 2 | — | nil | 2 | nil |
| James Finlay ......int | 2 | — | 2 | — | 4.15 |
| Goodwin ................ | 0.8 | — | 0.6 | 0.8 | 0.6 |
| Jones Grp ............ | ‖2.5 | — | 2.5 | — | — |
| Musterlin Group ...int | ‡1 | Nov 14 | — | — | — |
| Newbold & Burton int | 1.54 | — | 1.54 | — | 3.08 |
| Photo-Me ................ | 4 | — | *3 | 5.75 | *4.35 |
| Austin Reed .........int | ¶2 | Dec 1 | 1.5 | — | 5.5 |
| Ruberoid ............int | 2.4 | — | 2.2 | — | 8.6 |
| Savage ................ | ‡0.5 | Nov 25 | — | 0.5 | — |
| F. W. Thorpe ......... | 2.8 | Dec 4 | 2.5 | 4.6 | 3.9 |
| W'minster & Country | 5.5 | Nov 28 | 5 | 8.5 | 8 |

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. §Unquoted stock. ¶ To reduce disparity. ‖ Irish pence throughout.

# UK COMPANY NEWS

## Obstacle remains for Highams over Manchester Ship bid

BY CHARLES BATCHELOR

THE PROTRACTED pursuit of the Manchester Ship Canal Company (MSCC) by Highams, the textile group, has run into another obstacle, it emerged yesterday.

Higham's campaign to win control of MSCC has been bedevilled by the tapered voting structure of MSCC which gives a proportionately greater voting say to the owners of small numbers of MSCC shares.

Shareholders with up to 100 shares have one vote for every 10 shares, for example, while those with between 100 and 1,000 shares have one vote for every 50 shares. Although Highams owns more than 55 per cent of the MSCC equity it only has 40 per cent of the votes.

Highams, which launched a takeover bid—now worth £37m—for MSCC last May, yesterday corrected a previous letter sent to MSCC shareholders. It had claimed it had sufficient acceptances to gain 50 per cent of the MSCC votes.

Highams said yesterday that the takeover panel had requested it to clarify its previous statement. While it had sufficient nominees available to achieve 50 per cent of the votes on the basis of the existing register it did not have sufficient nominees to obtain 50 per cent if its shareholding had to be split to the maximum extent.

Highams has been preparing a list of nominee names—including its workforce, customers and "friends" — to which it would allocate shares if it were forced to split up its holding but a maximum split could theoretically produce 800,000 MSCC shareholders.

Morgan Grenfell, MSCC's merchant bank, said the Highams' clarification meant that it might not be able to get control of the company and that although Highams had declared its offer unconditional it might never become effective.

Highams' campaign has also been complicated by the presence on the MSCC board of 11 Manchester City councillors who outnumber the 10 shareholder directors.

The councillors last month imposed restrictions on the actions of the management though MSCC has said it could circumvent this by running the company through a series of extraordinary meetings.

## Unity Corp offshoot takes 43% Ifico stake

APA, the insurance arm of Australia's Unity Corp yesterday confirmed that it had bought almost 2 per cent of the shares of the Industrial Finance and Investment Corporation.

Also announced yesterday was the completion by Ifico of its acquisition of FMW Holdings, the Colchester insurance broker. The initial consideration involves the issue of 5.7m shares, 40.7 per cent of Ifico's enlarged equity, through a vendor placing to APA. Ifico is also making a one-for-five rights issue, which APA is subscribing to and underwriting.

Last week Mr Terry Ramsden, the financier, announced that his Glen International had increased its stake in Ifico from a little more than 10 per cent to almost 19 per cent.

While there is some surprise among analysts that Unity has made these cash purchases, Mr Dennis Vickery, the Australian company's group investment manager, said last night, "We were happy to buy shares ex-rights at 102p and the Takeover Panel, which has already cleared us having a stake in the 41 to 51 per cent range without having to make a full bid, accepted the 2 per cent market purchase we made."

APA is now the largest shareholder in Ifico with 42.71 per cent. APA could obtain more shares from the underwriting. Last night Ifico shares closed at 101p.





## Waterford has over 50% of Wedgwood

WATERFORD GLASS, the Irish group which on Wednesday announced a £253m agreed takeover bid for Wedgwood, the English fine bone china manufacturer, yesterday clinched the deal by acquiring more shares to take its effective holding to 50.01 per cent.

There had been stock market rumours that a counter bidder might emerge for Wedgwood.

Waterford acquired an 11.7 per cent stake in Wedgwood and undertakings to accept the offer from the holders of 0.1 per cent, in addition to the undertakings previously received from the holders of 38.2 per cent of Wedgwood.

## N. Sea & General shares suspended

The shares of North Sea and General Oil Investments were suspended at 23p yesterday after the company announced an agreement to buy 43 per cent of Indian Ocean Resources, a listed Australian company.

This deal could lead to Oceanic Equity of Perth, Western Australia taking a 64.5 per cent stake in the enlarged equity of North Sea. Indian Ocean's assets comprise A$20m cash, oil and gas acreage and gold mining properties and prospects producing 7,000 ounces a year.

North Sea will issue 40m new shares to acquire the Indian Ocean holding and A$3.5m for other assets of the company. In addition Oceanic will subscribe in cash for £1.5m new 10 per cent unsecured loan stock of North Sea, convertible into 7.5m shares.

## Rank Xerox Pension stake in Wordplex

The Rank Xerox Pension Scheme emerged yesterday as the holder of a 6.57 per cent stake in Wordplex Information Systems, the loss-making office automation group.

The pension scheme bought 186,000 shares to push its shareholding to 670,310 and above the declarable level of 5 per cent.

Meanwhile, Clayhithe Group, which has Mr John Heywood, the Wordplex chairman, as its principal shareholder, bought 100,000 shares taking its holding to 373,333 shares.

### IN BRIEF

BABCOCK International's North American subsidiary, Keeler Brass Company, and Robert Bosch Corporation, the US affiliate of Robert Bosch of Stuttgart, have formed KB Lighting, a joint venture company, to supply headlamps to the North American automotive industry.

GREAT PORTLAND Estates has further increased the retail content of its property portfolio by the acquisition of the Toy's 'R' Us store in Wood Green, North London. The store adjoining Wood Green's Shopping City, and the present rent of £325,000 per annum is next due for review in October 1988.

PIPELINE CONSTRUCTORS has acquired the total shareholding of E. O'Donnell (Bradford).

DEREK BRYANT Group completed the purchase of the remaining 10 per cent of the capital of Bryant, Stock, a reinsurance broker operating in the London market. The shares were purchased from Mr I. R. Stock a director of the Group and of Bryant, Stock.

MARSHAL FIELD'S, the Chicago-based speciality store chain owned by BAT Industries has opened five stores with a total floor area of 1.3m sq ft. The stores, formerly part of the Gimbals-Midwest store chain, are located in the State of Wisconsin and employ some 2,000 people.

BOC GROUP has issued 500,107 shares in respect of shareholders taking a scrip dividend in lieu of cash. This resulted in a cash saving of £2.16m, including ACT.





## Poor weather checks Ruberoid but profits look set for £8m

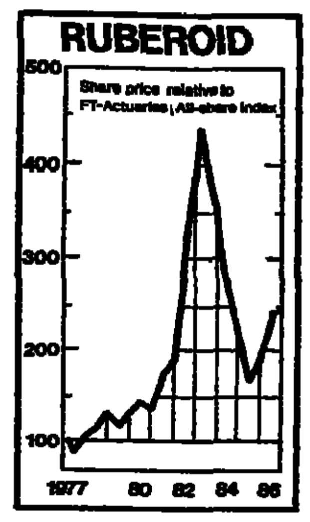
BY PHILIP COGGAN

Despite poor weather conditions, Ruberoid, the roofing materials group, recorded a 12.1 per cent increase in interim pre-tax profits for the half year to June 30. The interim dividend is being increased to 2.4p (2.2p).

Ruberoid has three main areas of activity: building products; contracting; and paper, plastics and resins. Of the three, building products is by far the most important, contributing 85 per cent of the trading profit last year.

Pre-tax profits were £2.41m (£2.15m) on turnover of £58.15m (£52.28m). After minority interests of £191,000 (£160,000) and taxation of £931,000 (£839,000), earnings per share were 11.5 per cent higher at 8.95p (8.03p).

In 1983, Ruberoid bought Camrex (Holdings), a marine and industrial paint maker, for £6m. After substantial losses at Camrex, Ruberoid decided in August 1985 to liquidate the company and is pursuing a contested £8.9m claim against Ernst and Whinney, Camrex's auditors.




**● comment**

Mr Thomas Kenny, Ruberoid's chairman, can lay claim to producing a most entertaining chairman's statement as evidenced by the number of one-liners in last year's annual report. It was a surprise, therefore, that yesterday's interim report included a reference to bad weather and little else. However, it appears that Ruberoid has little to hide. Housebuilding remains buoyant and the current Indian summer could make up for the dismal winter. The balance sheet looks strong enough to give scope for another acquisition—possibly in Europe to add to the existing Belgian subsidiaries.

The long-running Camrax saga has not soured Mr Kenny's appetite for takeovers. For the full year, pre-tax profits of £8m look achievable. After a tax charge of around 42 per cent (bumped up by the Belgian interests )the shares, at 291p, up 3p on the day, are on a prospective multiple of 10, roughly in line with the building materials sector.

## Jones shakes off effects of Iraqi war

EXTREMELY difficult conditions arising from the war in Iraq were experienced by Jones Group, shipping and engineering, in the first half of 1986, but group profits rose from I£1.33m to I£1.56m in the period.

The directors said the bulk of the company's exposure was on a water treatment contract in the Iraqi city of Basra, and that area had been subject to intermittent shelling throughout the year.

They said however, that the outlook for all divisions for the second half was satisfactory and they believed that the progress achieved in the first half would be maintained.

Before reporting on the full year, an assessment would be made on the final situation in Iraq. Even if a provision was required, the board was satisfied that last year's profit would be exceeded.

Group turnover was slightly lower at I£32.48m (I£33.04)), and there was a trading profit of I£2.29m (I£1.94m). The interim dividend is unchanged at 2.5p and stated earnings per share rose from 8.03p to 8.7p.

# UK COMPANY NEWS

## James Finlay's profits fall by almost £3m at midway

PRE-TAX profits—down from £6.34m to £3.41m—were reported yesterday by James Finlay, international trader and financier, for the six months to June 30, 1986. The interim dividend is held at 2p net—last year's total was 4.15p from profits of £6.42m.

Despite uncertainties, the directors said they hoped to maintain the dividend for 1986.

Three geographical areas incurred losses during the first half, and in the UK and Republic of Ireland the figure was £82,000 against profits of £1.13m. North merica had a downturn from profits of £519,000 to losses of £202,000, and in Australasia the losses were £19,000 (£588,000 profit).

In Africa however, profits were £3.3m, albeit down from the previous £3.55m. The contribution from Asia (excluding Bangladesh plantations) was £417,000 (£551,000).

The Lock group of companies was still finding trading conditions difficult, but it was hopeful of achieving better results than last year. Other trading interests were performing well, said the directors, and developing satisfactorily under current conditions.

Tea trading had benefited from the recent upturn in tea prices, while Paynes and Sajac were maintaining their positions, as was James Finlay Corp.

Overall, trading results for the year would depend to a large extent on tea and oil prices over the next few months.

As a result of Midstates Oil Co ceasing to be a 50 per cent associate and becoming a 68.5 per cent subsidiary in the current year, consequent on restructuring of the company, pre-tax profit has been arrived at after charging the whole of the company's loss of £1.06m for the period.

Group turnover for the six months was down from £108.57m to £84.28m. Tax took £2.65m (£3.86m), and there was a minority credit of £1.17m (£514,000).

There was an extraordinary credit of £2.12m (£1.8m) which arose after restructuring Midstates produced a gain on extinguishment of borrowing, and the group's 68.5 per cent share of this gain amounted to the figure given.

Stated earnings per 25p share (excluding plantation interests in Bangladesh) were down from 3.3p to 2.1p.

**● comment**

In spite of a beneficial firming of tea prices in both Kenya and Bangladesh it is James Finlay's energy interests that look likely to provide the material for 1986's nightmares. Security Pacific Bank was happy to accept $7m instead of the $11m owed after it pulled the plug on subsidiary Midstates Oil. It it the $4m reduction in liabilities arising from this debt swap that has filled the extraordinary account this time. The parent company now has to guarantee the $7m debt itself and although it is trying to get costs down, energy losses for the year could well total £5m. The improvement in tea prices, for which low Indian output could provide a further fillip later this year, has been steadily gaining pace as 1986 has progressed. This ought to do more than just get the Bangladesh plantations back into profit and the City has tentatively almost doubled its expectation of the plantation contribution to £9m. However, the worsened energy account more or less balances out the expected tea gains to leave forecasts unchanged at £14m-£15m. At 88p the share price appears to allow little for the 50 per cent gain in London tea prices so far this year but the decision to persevere with Midstates has inevitably been holding the market back.

## Austin Reed rises by 17% to £1.8m

BY ALICE RAWSTHORN

Austin Reed, clothing manufacturer and retailer, increased pre-tax profits by 17 per cent to £1.75m in the first half of the year despite lack lustre retail sales.

The combination of adverse weather and the decline in US tourists in the opening months of the year sapped sales at Austin Reed's London shops. The company succeeded in maintaining the level of sales, but profits were affected.

Options, the company's women's wear shops which moved into profit last year, succeeded in improving margins, but trading was more difficult in the men's wear area. Austin Reed completed the disposal of its Cue shops—Cue will continue to trade through departments in Austin Reed units—and sold two of its four branches in the Netherlands.

According to the company retail sales have recovered in the first weeks of the second half, after an improvement in the weather and the gradual return of US tourists to London.

The manufacturing division fared better. But it encountered problems after a decline in demand from the upmarket retail customers which were most vulnerable to the downturn in tourism.

The knitwear subsidiary, JA Robertson, made its first contribution to profit of more than £100,000 and is expected to produce about £300,000 in the full year. Austin Reed's shirt wear manufacturer suffered from reduced demand for its women's wear, although the company claims to have resolved those problems.

In the 28 weeks to August 16 turnover increased to £31.73m (£30.81m). Earnings per share rose to 4.0p (3.3p) and the board is paying a dividend of 2.0p (1.5p).

Austin Reed succeeded in reducing its interest charge by £200,000. In the second half it will benefit from the start of a pensions holiday which should contribute £150,000 a year for the two years.

**● comment**

It seems rather unfair that Austin Reed finally began to lick itself back into shape last year—closing Cue and nursing Options into profit—only to be scuppered by wet and windy weather and an outbreak of terrorphobia among US tourists. Without the fall in the interest charge and Robertson's contribution profits would have fallen in the interim period. Nonetheless the news that retail sales are perking up again was enough to raise the shares by 4p to 150p yesterday. Austin Reed is now convinced that it has hit upon the correct strategy. Retailing will be expanded with the introduction of Austin Reed men's wear concessions, in the UK and Europe. Manufacturing expansion will concentrate on increasing capacity at the Austin Reed men's wear plant and the shirt wear subsidiary. Meanwhile royalty income, largely from the US and Japan, continues to make a useful contribution and should produce around £1.4m this year. The City expects profits of £6m for the full year. The prospective p/e at 10.5 is still at a discount to the sector and may remain so until Austin Reed can convince the City that its new strategy will work.

## Campari cuts losses to £95,000

BY MIKE SMITH

Campari International, the sports and leisure equipment distributor, said yesterday that it expected to make a profit this year after announcing pre-tax losses of £95,000 in the half-year to May, down from £1.2m last time.

The company also announced the appointment as chief executive of Mr Ake Nordin, the Swedish businessman who built up a stake of 48 per cent of the company earlier this year.

For the six months to May 31, turnover was down £62,000 to £9.76m, but last year's operating losses of £356,000 were turned into a £482,000 profit. Interest payments were reduced by £263,000 to £576,000.

The interim dividend is unchanged at 0.5p. Shares closed at 57p yesterday, up 1p.

Mr Henry Lipton, chairman, said the results clearly confirmed the turnaround in performance he had predicted.

Satisfactory sales were being achieved during the second half in line with the traditionally higher figures for that period.

"Improved margins and turnover on target will reflect the benefits of our policy or orderly stock reductions, lower borrowings and general savings in overheads," said Mr Lipton. "This will positively bring the group back into profit for the full financial year."

After advanced corporation tax of £17,550, against £12,925 last time, the loss per share was 1.31p (14.06p).

The company also incurred an extraordinary debt of £73,000, relating to Mr Nordin's purchase of shares in February and his subsequent offer to shareholders to acquire all the ordinary share capital.

The offer was not intended to succeed and was made to comply with the Takeover Code.

**● comment**

It looks as though Campari will finally have something to shout about at the end of this year. Second half turnover is always better than that for the first six months and, with margins now at more acceptable levels, an overall profitable for 1986 seems certain. The company has made impressive inroads into its debt mountain — reduced from £10.6m in May 1985 to £7.5m a year later—and stocks should be down to a more manageable £5m by the end of this year from a high of £14m. Mr Nordin's appointment brings in someone with a good track record, stretching over 25 years, in the Swedish camping and leisure equipment industry and this should ensure further improvements. Investors, however, have been expecting better results at Campari for some time and during the past nine months the share price has virtually doubled. Yesterday the share price rose 1p to 57p.

## Savage beats its forecast

Savage, the Watford-based shelving specialist, has beaten its profit forecast made when its shares were placed on the USM last May. Pre-tax profits in the year end June 1986 were £802,000, against the minimum £775,000 forecast, from turnover of £10.05m. The comparable figures, on a pro-forma basis were £397,000 pre-tax profit or £7.72m turnover.

Mr Nick Savage, chairman, said that the results reflected two factors, the continued strong organic growth of the sales of the group's shelving products both in the UK and continental Europe and the acquisition during the second half of three complementary businesses, Wessex, DIFAQ and Strut.

After tax of £285,000 (£160,000) net profits emerged at £517,000 (£237,000); preference dividends took £18,000 (£11,000) and earnings per 20p share were 7.8p. The dividend is 0.5p as forecast

## Druck moves ahead 31% aided by export boost

Druck Holdings, the USM-quoted company engaged in the manufacture of electronic measuring devices, reports a 31 per cent increase to £2.32m in pre-tax profits for the year to June 30 1986. Turnover increased by 36 per cent despite the adverse effect of the weaker dollar.

Mr John Salmon, the chairman, says that sales of all three product groups have contributed to the increase and once again export sales made a major contribution.

Export sales increased by 48 per cent from £4.1m to £6.1m representing nearly 60 per cent of group sales whilst UK sales increased by 22 per cent from £3.4m to £4.1m. Mr Salmon said that the current order book suggested that this increasing export trend would continue "especially since we are announcing more new products and the prospects in the US are good."

Growth in UK sales came mainly from general business both in terms of products and applications. Further increases were expected this year with better deliveries and more large contracts.

Mr Salmon said that the British Aerospace order in June would probably be followed by others. The marine business had also made a good contribution.

Regarding the current year Mr Salmon said: "We have made a very satisfactory start and providing we can meet the demands already on us, we should make further progress."

After tax of £1.02m (£816,000) and minorities of £24,000 (£27,000), the net profit emerges at £1.27m (£920,000). The final dividend is raised from 2.1p to 2.6p making a total payment of 4.4p (3.6p) from earnings per 5p share of 20.3p (14.7p).

## COMPANY NEWS IN BRIEF

MAPPIN & WEBB Holdings retail jeweller, made pre-tax profits of £2.08m (£1.93m) for the six months to August 2, 1986. Sales rose to £25.58m (£23.14m), despite significant reduction in number of tourists in London and Paris. The company, which is a subsidiary of Sears Holdings, said its prospects for the rest of the year were reasonable.

CHINA AND EASTERN Investment Company, which accounts in US dollars, said its net asset value at September 30 1986 was $1.44 (99p). It was listed last November to invest directly in China and companies trading with that country, at a price of 71p. Net revenue for the nine months ended July 31 1986 was $811,000 ($543,000) and a dividend of 2.2 cents is proposed.

TRIPLEVEST net asset value per £1 capital share £14.11 at the end of the six months to August 31 1986, compared with £12.94 at February 28 last. After tax of £687,000 (£652,000) earnings per 50p income share 6.586p (5.691p). The interim dividend is 6.586p (5.691p).

FRANK G. GATES, main Ford dealer, increased taxable profits from £530,000 to £801,000 for the six months ended June 30 1986, from turnover of £25.93m against £24.36m. After tax of £220,000 (£219,000) earnings per share were 4.5p (3.7p).

SANDERSON Murray and Elder (Holdings) pre-tax profits £163,542 (£142,920) for the year ended June 30 1986, on turnover up from £5.67m to £6.81m. Earnings per 50p share were 6.7p (5.7p) after tax £35,302 (£32,955) while the dividend is lifted to 4.5p (4p).

A. BROWN & Sons, educational supplier, boosted pre-tax profits from £2,793 to £23,830 for the year ended January 31 1986 from turnover expanded from £37,908 to £153,037. Earnings per share were 5.46p (0.35p) losses). The directors are paying the seven years arrears of preference dividends and an ordinary dividend payment of 1p.

NORTH BRITISH Canadian Investment Co increased net asset value per 25p share from 249.5p to 311.4p in the six months to August 31, 1986. Earnings per share were 3.61p (3.45p) and the interim dividend 2.15p (2p). Net revenue came to £243,639 (£233,611). Increased full year earnings and final dividend are anticipated.

TR PACIFIC BASIN Investment Trust reported an increase from 139.5p to 258.5p in its net asset value per 25p share, and from 131p to 239.5p diluted by the full exercise of warrants. Earnings per share rose from 0.56p to 0.93p, and the interim dividend is held at 0.5p. The board intends to recommend a same-again 1p for the current year. Pre-tax revenue for the six months to July 31 1986 was £1.01m compared with

MILES 33, supplier of computer systems, raised pre-tax profits to £486,000 (£322,000) for half year to August 31 1986, on £3.19m (£2.38m) turnover. After tax of £170,000 (£112,000) earnings per 10p share were 7.5p (adjusted 5p). Company expected the current rate of progress to continue in foreseeable future. The company moved up from the USM to the main market in July.

ASD, the Leeds based steel distribution group, has acquired Newbury Steel Stockholders, supplier of a wide range of sheet and general steel products.

# UK COMPANY NEWS

ISSUE NEWS

## Blue Arrow £30m cash call to fund US purchases

BY CHARLES BATCHELOR

Blue Arrow, the fast-growing employment agency and contract cleaning group, is paying up to \$31.7m (£22.3m) for Temporaries, a private Washington-based temporary help business.

The company announced a one-for-three £30m rights issue at 330p per share to finance the acquisition, and another is planned in the UK for later this year.

Blue Arrow forecast that its pre-tax profit in the year ending October 31, 1986 would rise to at least £8.2m from £2.18m last time. The directors plan to pay a final dividend of 1.4p making 2p

Temporaries made a loss of \$125,000 on turnover of \$31.6m in 1985 and had net tangible assets of !5.03m at that year end. Mr Tony Berry, chairman and chief executive, described it as a company "run comfortably for its owners" rather than to maximise stated profits.

Blue Arrow will pay \$10.7m down and a further \$20m during the next two years depending on profits performance. Most of the payment will be in cash but Mr Barry Wright, the main shareholder, chairman and chief executive of Temporaries, will take \$700,00 in shares.

The company is also negotiating the purchase of a temporary help agency which operates on a franchise basis for a price of about \$15m and in the longer term hopes to acquire an executive recruitment business in the US as well.

Mr Berry, who brought the company to the Unlisted Securities Market in July 1984, it moved to the main market in July 1986, said he intended to build a US business as large as the one in the UK. US turnover will amount to about \$120m after these two deals are completed.

Blue Arrow made its first substantial US acquisition last month when it agreed to pay up to \$8m for Positions, a Boston employment agency. When Temporaries and the third purchase have been completed it will be committed to paying up to \$50m, depending on future profits, for companies producing annual profits of more than \$10m.

The US has a labour force of 90m people compared with only 20m in the UK and the fee structure operated by US agencies is twice the level in Britain, Mr Berry said. Agencies in the US supply either temporary or permanent staff, but not both, because of state licencing laws.

## Petrocon rights issue for £2.4m

Petrocon Group, the oilfield services company, which announced an interim loss of £331,000 last month, is raising £2.35m via a one-for-one rights issue.

The proceeds will be used to repay part of its £5.5m borrowings, a pre-rights gearing level of 85 per cent.

More than 6.2m new ordinary shares will be issued at 40p each, a 33 per cent discount to Wednesday's closing share price. Mr Peter Hodgson, chairman, his family and trusts, Investors in Industry and London Atlantic Investment Trust, will be taking up their total entitlement, representing 37.9 per cent, in full.

Petrocon has invested more than £6m in the last two years in establishing Petrocon Well Services and Petrocon Production Services but it has been hit by the downturn in the oil industry and by losses in associated companies in Africa and Asia.

The company is not making a profits forecast, because of the uncertain prospects for the oil service industry, but it expects to recommend a final net dividend of 1p on the enlarged share capital, to make a total of 2p for the year.

## Offer values Baker Harris at £15m

BY RICHARD TOMKINS

Baker Harris Saunders, the company set to become the first commercial estate agent to join the stock market, today publishes the prospectus for an offer for sale by tender which will give it a market value of at least £15m.

Some 2.5m shares, 25 per cent of the enlarged equity, are being offered at a minimum of 150p each. A little more than 1m of the shares are being sold by the directors and the rest are newly-issued, raising about £1.8m net for the company.

Sponsors and brokers to the issue are Rowe & Pitman.

Baker Harris was formed as a partnership in 1976. It is a leading agent in the City office market and its clients include major developers, property owners and tenants such as The Hammerson Group, Lloyds Bank, National Westminster Bank and Rosehaugh Greycoat Estates.

The five-year profits record shows that 1983 was affected by an absence of major projects and produced a pre-tax figure of only £99,000. Since then, however, there has been rapid growth to £800,000 for the year to last April. For the present year £1.6m is forecast, putting the shares on a prospective price/earnings multiple of 14 at 150p.

● comment

The City dislikes offers for sale by tender and must fear that Baker Harris Saunders, following so soon after Rymans' last week, is in danger of popularising the method. It is not, however, the one on which the City is going to take its stand: Baker Harris Saunders is too well known in the Square Mile, and its record too well admired, for the issue to be spurned. True, the 100 per cent growth rate cannot be sustained, and the 1983 figures illustrate that the company is not invulnerable to weak markets, but few doubt that City properties will be in heavy demand well after Big Bang, and even if that demand were to slacken, the shuffling around would not. The diversification plans give further grounds for confidence, leaving the argument that the company is fundamentally a people business as the weakest link: yet heavy demand for such a small issue seems destined to drive the striking price to at least 180p, for a slightly eyebrow-raising prospective p/e of 17.

## Whinney Mackay-Lewis to join USM in placing

BY ALICE RAWSTHORN

Whinney Mackay-Lewis, the architectural practice, is joining the Unlisted Securities Market through a placing of shares which values the company at £7.2m.

The practice's work centres on the City of London. Whinney was founded in the 1880s. Until recently much of its work was for the Midland Bank, but profits floundered in 1982 and 1983 as work for the Midland declined, so the company sought new business from other clients. Recently it has benfited from the work created by the City property boom in the approach to Big Bang.

Recent projects included the design of trading floors for the securities house, Barclays de Zoete Wedd, and for the London International Financial Futures Exchange. The company is involved in the development of the City Plaza complex at London Wall and of Vintry House on the River Thames.

Once the flow of work generated by the Big Bang abates, Whinney expects, according to Mr Jeremy Mackay-Lewis, chairman and managing director, to find new projects from the constant renovation and upgrading of existing buildings in the City.

In its last financial year to to April 30, the company produced pre-tax profits of £512,000 on turnover of £2.3m, compared with £413,000 and £1.98m respectively in the previous year.

For the placing, through stockbrokers De Zoete & Bevan, Whinney will release 1.64m shares, 36.6 per cent of its equity, at 160p a share. The board expect profits of at least £800,000 in the present year, producing prospective earnings per share of 12.1p and a p/e of 13.2.

After the placing the company plans to invest in new staff to augment organic growth and to develop its interior design activities through acquisition.



NOTICE OF REDEMPTION

To the Holders of

### QUEENSLAND COAL FINANCE LIMITED

("The Company")

**Guaranteed Floating Rate Notes Due May 1996 ("The Notes")**

NOTICE IS HEREBY GIVEN, that, as permitted by Condition 6(b) of the Notes, the following Notes of the Company indicated below, in the aggregate principal amount of U.S. \$11,590,000 have been drawn in the presence of a Notary Public for redemption on November 12, 1986 (the "Redemption Date") at a Redemption Price (the "Redemption Price") of 100% of the principal amount thereof.

SERIAL NUMBERS OF NOTES CALLED FOR REDEMPTION

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | 2356 | 5308 | 7614 | 10238 | 12848 | 15275 | 17662 | 20298 | 23131 | 25440 | 28121 |
| 83 | 2377 | 5330 | 7636 | 10266 | 12865 | 15277 | 17676 | 20345 | 23140 | 25533 | 28122 |
| 87 | 2399 | 5349 | 7656 | 10290 | 12882 | 15317 | 17684 | 20348 | 23164 | 25551 | 28156 |
| 93 | 2454 | 5356 | 7674 | 10304 | 12905 | 15353 | 17800 | 20361 | 23181 | 25592 | 28159 |
| 135 | 2473 | 5363 | 7681 | 10309 | 12906 | 15442 | 17884 | 20377 | 23224 | 25601 | 28160 |
| 148 | 2490 | 5389 | 7686 | 10310 | 12910 | 15503 | 18030 | 20417 | 23244 | 25612 | 28173 |
| 156 | 2534 | 5395 | 7703 | 10311 | 12916 | 15510 | 18059 | 20462 | 23245 | 25622 | 28230 |
| 180 | 2557 | 5421 | 7706 | 10366 | 12962 | 15521 | 18071 | 20464 | 23258 | 25635 | 28263 |
| 230 | 2567 | 5422 | 7713 | 10368 | 13043 | 15565 | 18094 | 20635 | 23262 | 25639 | 28268 |
| 232 | 2568 | 5438 | 7728 | 10404 | 13051 | 15563 | 18128 | 20678 | 23284 | 25701 | 28271 |
| 235 | 2616 | 5470 | 7760 | 10453 | 13071 | 15606 | 18142 | 20688 | 23345 | 25710 | 28291 |
| 238 | 2619 | 5478 | 7761 | 10535 | 13163 | 15657 | 18157 | 20699 | 23354 | 25758 | 28300 |
| 261 | 2627 | 5480 | 7762 | 10561 | 13187 | 15693 | 18173 | 20732 | 23364 | 25762 | 28394 |
| 270 | 2661 | 5514 | 7766 | 10580 | 13203 | 15716 | 18178 | 20762 | 23368 | 25763 | 28364 |
| 286 | 2692 | 5522 | 7772 | 10586 | 13211 | 15718 | 18181 | 20789 | 23406 | 25789 | 28397 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1990 | 4726 | 7195 | 9876 | 12235 | 14771 | 17461 | 19809 | 22693 | 24937 | 27654 | 30327 |
| 2019 | 4750 | 7270 | 9908 | 12258 | 14772 | 17467 | 19871 | 22733 | 24942 | 27681 | 30339 |
| 2054 | 4763 | 7273 | 9915 | 12271 | 14793 | 17490 | 19937 | 22744 | 24965 | 27757 | 30356 |
| 2085 | 4768 | 7300 | 9943 | 12314 | 14816 | 17528 | 19971 | 22766 | 25020 | 27775 | 30396 |
| 2097 | 4795 | 7317 | 9954 | 12363 | 14839 | 17557 | 19976 | 22812 | 25024 | 27776 | 30417 |
| 2121 | 4806 | 7351 | 9968 | 12365 | 14878 | 17570 | 19994 | 22872 | 25028 | 27905 | 30481 |
| 2130 | 4839 | 7367 | 10050 | 12405 | 14956 | 17575 | 20001 | 22883 | 25058 | 27931 | 30517 |
| 2139 | 4855 | 7374 | 10059 | 12408 | 15035 | 17668 | 20038 | 22901 | 25169 | 27946 | 30543 |
| 2155 | 4924 | 7391 | 10068 | 12529 | 15048 | 17689 | 20111 | 22926 | 25178 | 27971 | 30546 |
| 2161 | 5096 | 7434 | 10075 | 12559 | 15101 | 17737 | 20118 | 22946 | 25219 | 27986 | 30565 |
| 2186 | 5116 | 7505 | 10121 | 12609 | 15121 | 17755 | 20161 | 22952 | 25282 | 28006 | 30579 |
| 2189 | 5125 | 7512 | 10123 | 12651 | 15143 | 17776 | 20233 | 22961 | 25323 | 28009 | 30623 |
| 2202 | 5174 | 7523 | 10139 | 12689 | 15178 | 17763 | 20262 | 22971 | 25372 | 28047 | |
| 2203 | 5244 | 7525 | 10151 | 12710 | 15211 | 17815 | 20271 | 23017 | 25377 | 28055 | |
| 2254 | 5264 | 7539 | 10201 | 12761 | 15219 | 17821 | 20274 | 23051 | 25411 | 28057 | |
| 2270 | 5276 | 7580 | 10229 | 12763 | 15235 | 17823 | 20279 | 23095 | 25412 | 28107 | |
| 2307 | 5305 | 7581 | 10232 | 12943 | 15265 | 17854 | 20292 | 23111 | 25423 | 28117 | |

Payment of the Redemption Price will be made on or after November 12, 1986 upon presentation and surrender of the Notes called for redemption, together with all coupons appertaining thereto maturing after November 12, 1986 at the Corporate Trust Office of The Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, N.Y. 10005 or at the principal office in the city indicated of any of the following Paying Agents: The Bank of Tokyo, Ltd. in London; The Bank of Tokyo, Ltd. in Brussels; The Bank of Tokyo (Luxembourg) S.A. in Luxembourg.

From and after the Redemption Date, interest on the Notes to be redeemed will cease to accrue and all coupons maturing after November 12, 1986 shall become void. The coupon for interest payable on November 12, 1986 should be detached and presented for payment in the usual manner at the specified office of any Paying Agent other than the Paying Agent in New York City. After the Redemption Date, Notes in the aggregate principal amount of U.S. \$294,770,000 will remain outstanding.

QUEENSLAND COAL FINANCE CO., LTD.
By: The Bank of Tokyo Trust Company
as Principal Paying Agent

Dated: October 10, 1986

# THE PROPERTY MARKET By PAUL CHEESERIGHT

GATESHEAD METROCENTRE

## Stores move out of city centres

NORTHUMBERLAND miner's son John Hall, 54, comes into his own next Tuesday with the opening of the critical Phase 2 of his MetroCentre in the Gateshead Enterprise Zone, south of Newcastle-upon-Tyne — with Marks and Spencer's first 150,000 sq ft out-of-town superstore, and a horde of other big names.

Along with M and S, there is a 140,000 sq ft new House of Fraser department store, a 110,000 sq ft Carrefour hypermarket, big stores for British Home Stores, Littlewoods, Top Shop, Boots and Sears and 190 other shops in Phases 1 and 2. Phase 3, to be opened in a year's time, will have a C & A department store, 99 other shops, and much leisure with a multiscreen cinema, a 100,000 sq ft Fantasyland, a food court and other attractions.

Having gone this far with a 100 acre site once valued by the Department of the Environment at £100,000—he got a two year option in 1980 for £1m and his company, Cameron Hall, is now valued at £150m to £200m on the back of it—Mr Hall has taken an adjacent 70 acres for a 150-bedroom hotel, a lake, pubs and restaurants and is talking of a covered leisure stadium after that.

He is in contention for variations on the MetroCentre at Teesside, Stoke and Exeter—the last in competition with four other schemes—and it is here that he will continue to come under attack.

Observers of the out-of-town retailing phenomenon, which started with food supermarkets, went on to consumer durables and is now attracting the big town centre shops, worry that Britain could be faced with the "hole in the doughnut" syndrome. In the US, clusters of out-of-town retailing, following the population shift to the periphery, have left town centres dead and decaying with disturbing effects on the poor, the old and infirm who have frequently been left behind.

### Opposition

In the van of the opposition at the moment is Arnold Hammond, chief executive of Ladbroke City & County, which has plans to invest between £80m and £100m in Broadmead, Bristol's somewhat down-at-heel city retailing centre.

Mr Hammond and his advisers say that a government which is pushing employment is contemplating large tracts of what would have been industrial land which is now available for alternative use. Ladbroke is faced with two such tracts north west of Bristol at Cribbs Causeway, where the Prudential and Marks & Spencer have combined to propose a £90m out of town regional shopping centre and local developer Jack Bayliss put up plans for a £100m, 1m sq ft scheme on an adjoining site.

Both of these groups, like most developers of retail space, are claiming job gains for the area. Mr Hammond refutes this, and puts up two experts from the John Lewis Partnership, regarded as the cream of department store retailing, in evidence.

Stuart Hampson, the partnership's director of research and expansion, says: "We don't talk about creating jobs; realistically, we're moving them around, and reducing them." Head of research Dr David Thorpe notes that a NEDO report, two or three years old, supports this argument.

Mr Hall is only slightly moved. "There is no way that I want to see our city centres destroyed," he says, "but the Americans went overboard. People moved out, retailing had to follow, it's the way their society has developed; unfortunately you can now see 12 or even 14 centres around a major conurbation.

"In Britain," he says, "we've landlocked our city centres with inner ring roads so that the retailing cannot expand. Do-it-yourself, supermarket food retailing and the complete revolution in other forms of retailing all demand more space than the city centres can provide."

The standard retailing unit used to be 1,000 sq ft, he says, but national retailers now want 3,000 to 4,000 sq ft as a standard size and 50,000 sq ft is commonly asked for in the larger store category.

"Planners make decisions in town centres so that you cannot accommodate that store," he observes. "In my opinion they are not entitled to do so."

On the employment argument, he sees the MetroCentre as a positive phenomenon linked with Nissan's move to Washington, and Komatsu and others moving into the area. "We have our own South Bank Show with over 15,000 jobs and nearly £600m of capital investment going on just south of the Tyne over the next 10 years."

He thinks that the shopping areas which will suffer most from his development will be peripheral pitches which have already been hurt by Eldon Square, the ultra successful scheme in the centre of Newcastle developed and still managed by Capital & Counties.

### Housebuilding

"I would accelerate the decline of these areas and bring housing back into the city centre," he says. "I would bring enterprise zones back specifically to promote city centre housing development with allowances leading to cheap money. As a developer I would build houses on that basis, and those houses would strengthen city centre retailing."

"If I'm remembered for anything," he grins. "I'll be the man who forced Newcastle to drop its parking charges." But the MetroCentre is not to be sidelined for long. "I've spent £400,000 on Chirstmas decorations," says Mr Hall. "I'm going to beat Regent Street this year."

WILLIAM COCHRANE

BUSINESS PARKS

## Developers run ahead of the planners

BUSINESS PARKS are a problem for the planning authorities. Potential occupiers have been making demands on developers for buildings and surroundings that fall outside the normal planning classifications. The industry has hopped ahead of the planning response.

"General business users refuse to be hidebound by irrelevant bureaucratic definition of use", commented Mr Nick Sheehan, a director of London and Edinburgh Trust.

The attempt "to retain the three sector classification through extending the industrial sector is now falling apart as the range and true nature of the various high technology properties are finally becoming appreciated," said Mr Brian Waldy in a special report on business parks for Fletcher King, the agents.

This three sector classification is the Use Classes Order which splits property planning into three broad categories — industrial, retail and offices.

But the point is that the user of a business park might want to use the premises for all three — the manufacture of light industrial and often high technology products backed up by administrative services with the outlet of a showroom.

So the key point in any definition of a business park is flexibility — and flexability in high quality landscaped buildings. The owner or tenant needs to be able to change the use of buildings or parts of buildings. "An occupier is not constrained to a single or narrow use of his space.", noted Mr Waldy. And room for expansion is important. "Occupiers require flexibility to suit their business when it suits their business", observed Mr Sheehan.

None of this is new. The concept of business parks was imported from the US. It is spreading to Europe. And it is occupier-led. The property industry is both responding to a need and talking it up at the same time.

The Government recognised the need to change the planning classifications, especially in relation to high technology industrial needs as far back as 1984 when a Department of Environment circular told local authorities to ensure that the needs "are properly catered for in the exercise of development control".

Late last year, the Property Advisory Group, the senior industry professionals who advise the Government, sugested a new business class which would embrace light industry and offices. The Government is prepared to create a new business use class, although it does not appear to accept all the recommendations of the Property Advisory Group.

"In two years' time we'll have new definitions," predicted Mr Sheehan.

"However, until any changes to the Use Classes Order are made, the developer and the occupier have to contend with existing legislation and the way it is applied, which varies betwen local planning authorities. The more enlightened authorities, keen to attract occupiers and their jobs, give what is effectively a blanket permission for a range of uses, while others adhere to tight definitions of use," said Mr Waldy.

The planning situation becomes further confused because of the Green Belt. Some developers would like to put parks in the Green Belt and some authorities would probably be prepared to let them. But this raises sensitive issues. General government policy is against incursions.

Yet it can be argued that where the Green Belt is semi-derelict, and it has been calculated that about 5 per cent of the Metropolitan Green Belt is just that, a landscaped business park would be a positive improvement.

Mr Waldy grasped this particular nettle. "It is not axiomatic that business parks are unsuitable. . . . The contribution to the countryside and to the local community that a business park can offer should not be discounted." Agricultural use of land, he suggested, is already quasi-industrial.

Argument about this is likely to reach its most acute form in the southern part of the country where, indeed, developers seem most to favour new ventures. Fletcher King at the moment has four parks on its books, all in the south—Winnersh Triangle at Reading, Solent Business Park at Fareham, Capability Green at Luton and The Campus at Hemel Hempstead.

The developers were, respectively, Wimpey and Slough Estates, Harbour Properties, Luton Hoo Estate and Legal and General Assurance. The developers most popularly linked with business park development, however, are London and Edinburgh Trust and Arlington Securities, which stressed its specialisation when it went for a Stock Exchange flotation earlier this year.

After initial hesitation, the developers have been able to draw the institutions along behind them to provide financial backing for new ventures, so that a greater choice for occupiers is available than three years ago. But there is concern in the industry that in some cases rents have been manipulated up for what are indifferent developments.

The market now appears to be sensitively poised. It is said to be waiting for news of major new lettings so that there is hard evidence of demand being as strong as developers believe and proclaim it to be. But there are no benchmark figures on which to make judgments — the parks themselves are too diverse for that, and occupiers are prepared to pay if they obtain the quality they want.

In the corridor between the M3 and the M4, rents are moving between £8 and £12 a square foot — less than for an office, more than for an industrial property.

# APPOINTMENTS

## Yorkshire Building Society chief

Mr Derek Roberts, the YORKSHIRE BUILDING SOCIETY'S general manager (development), will be the society's next chief executive. He will take over when Mr Denis Macnaught retires in September next year. Mr Roberts joined the former Huddersfield Building Society in 1972, having previously been with Royal Insurance Company in Liverpool. Shortly after the formation of the Huddersfield and Bradford in 1975 he was appointed to the society's executive, and following the merger with the West Yorkshire Building Society in 1982 when the society changed its name to the Yorkshire, Mr Roberts was appointed assistant general manager (marketing).

★

Provincial Insurance has carried out a restructuring operation involving the creation of a new group holding company, PROVINCIAL GROUP. The chairman is Mr C. F. E. Shakerley, who remains chairman of Provincial Insurance. Mr John H. Maxwell has been appointed chief executive of Provincial Group having joined the group from Grand Metropolitan where he was group controller. Provincial Insurance, now a subsidiary of Provincial Group, continues its general insurance operations under its managing director, Mr Kenneth J. Walker, who also becomes deputy chairman of that company.

★

As already announced, LONDON & EDINBURGH TRUST intends to acquire a 40-49 per cent stake in Kellock Trust with the intention of developing Kellock into a broadly based financial services group. Subject to the arrangements being completed, Mr Michael Langdon will be appointed deputy chairman and chief executive of Kellock. Mr Langdon, a mainstream client partner at Price Waterhouse, has specialised in corporate financial advisory work for flotations, mergers and acquisitions.

★

IVORY AND SIME has appointed Mr Jeremy Hayward, managing director of Rothschild Ventures, a director from November 1.

★

Mr Stephen Hawkes has been appointed to the board of MOWLEM (BUILDING) as contracts director. Mr Gerald Brown has been appointed finance director of Mowlem (Civil Engineering).

★

COUNTY GROUP has appointed to the board Mr R. C. Boxall, Mr J. D. Brown, Mr J. L. Fender, Mr G. D. Green, Mr A. D. Phaure, Mr R. C. T. Redmayne, Mr J. H. Rees and Mr J. Sacarello. County Group is the management company for NatWest Investment Bank. COUNTY SECURITIES has appointed to the board: Mr. M. U. A. Alen-Buckley, Mr P. J. K. Bisgood, Mr L. J. Cornish, Mr J. E. Dodd, Mr E. H. Knight, Mr J. W. Knowles, Mr D. J. McNamara, Mr I. G. S. Medlam, Mr J. J. C. Morris, Mr J. P. L. Parker, Mr N. J. Parsons, Mr D. M. White, Mr A. T. Young and Ms K. M. Riley. Mr M. P. F. Wickham of County Personal Financial Services becomes a director of that company.

★

Mr Peter Silvester is to become general manager, investments, of FRIENDS' PROVIDENT LIFE OFFICE on January 1. He succeeds Mr Michael Hardie who is to retire on December 31. Mr Silvester has been assistant general manager (investments) since April 1984.

★

Mr Bertrand Bouchard has been appointed managing director of ECONOCOM UK, part of the international computer leasing and distribution group. He joins from Peat, Marwick, Mitchell and Co, where he was a management consultant specialising in the banking sector.

★

PEPSI-COLA has appointed Mr Paul Adams as marketing director for Northern Europe. He joined Pepsi-Cola last February as franchise development director following a career spent mostly in multi-nationals. In 1983 he moved to Beecham Products International as strategic marketing director for toiletries. After two years he left the multi-national environment briefly to become commercial director for Mirror Group Newspapers before joining Pepsi-Cola to work on several strategic projects. Mr Adams will be responsible for the marketing of Pepsi, Diet Pepsi and Cherry Pepsi in the UK and Northern Europe, based in Knightsbridge. He replaces Mr Drummond Hall, who is leaving Pepsi.

★

At RAINE INDUSTRIES Mr Kevin W. Broughton has been made managing director of Hassall Homes. Mr Broughton recently managed Miller Wheeldon Homes, based in the Midlands. The new production director of Hassall Homes is Mr John G. Richards. He was production manager.

★

The MARLEY ROOF TILE CO has appointed Mr David Trapnell as its managing director. He succeeds Mr Trevor Aisbey, who remains chairman. Mr Trapnell moves into the new position after three years as production director for the 10 roof tile factories in the UK.

★

Following the BET offer for HAT going unconditional, it has been agreed that Mr David Telling will stand down from the posts of chairman and chief executive of HAT GROUP and he has also agreed to stand down from all his other directorships with HAT's subsidiary companies. Mr W. Boulton and Mr B. K. Thompson have joined the board and have been appointed chairman and deputy chairman respectively.

★

Mr Elwyn Jones, deputy commercial director, has been appointed manager of TELFORD'S ENTERPRISE ZONE. He succeeds Mr M. D. Morgan who has become general manager.

★

Mr W. H. J. Ritchens has been appointed to the board of CUTHBERT HEATH UNDERWRITING following its purchase of the private motor policy syndicate from the Frizzel Group.

★

LOMBARD NORTH CENTRAL, wholly-owned instalment credit and leasing subsidiary of National Westminster Bank, has made the following changes in board responsibilities. Mr R. J. Young, formerly director of Lombard's southern executive office, has been appointed director for credit finance based in London. Mr Young succeeds Mr N. S. Fosh who has retired. Mr C. W. Finnerty, formerly deputy regional director, National Westminster Bank, has become director of southern executive office and has returned to the board of Lombard North Central.

★

Following its formation OCTAGON INDUSTRIES board will be: Dr Alexander Reid, chairman; Dr Geoff Bristow, managing director; and Dr Robb Wilmot, Mr Jeremy Gough, Mr Kingsley Meek and Mr Jonathan Thornton, directors.

★

Mr J. L. Derx has been appointed to the board of CATER ALLEN SECURITIES.

★

Mr Stuart A. Bass will be joining BANGKOK BANK, London, as treasury manager, from October 27. He was a vice president of Manufacturers Hanover Trust, London, in charge of the treasury unit.

★

Mr Daniel R. Chapchal has been appointed to the board of XENOTRON HOLDINGS. He joined the company as group managing director on September 22, with overall responsibility for all Xenotron companies. Mr Keven Cooke, managing director of Xenotron UK continues with his responsibilities for Europe. Mr Chapchal joins from software consultants Insignia Solutions, where he was managing director.

★

BALLANTYNE, McKEAN & SULLIVAN has formed a new company in conjunction with Mr Richard Dunn and Mr Edward Thompson. The name of the new company will be BMS LMX, with Mr Dunn as managing director, Mr Thompson as a director and Miss Alida Van De Ploeg as an assistant director.

★

Mr Jack Garner joined Chubb Alarms in 1969 as an installation engineer. Now he is appointed director-in-charge of CHUBB WARDENS, a subsidiary.

★

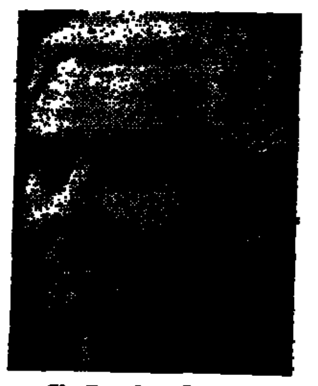
Mr Andrew J. Taylor has been appointed a director of LLOYD THOMPSON.

★

Mr R. C. Jackson and Mr S. E. Hogan have been appointed assistant directors of SHEPPARDS MONEYBROKERS.

★

Mr Norman Lloyd has been appointed sales director of MARS CONFECTIONERY. He was with another Mars Group company—Dornay Foods—as sales and marketing director.



Sir Douglas Morpeth, joining the board of Allied Irish Banks

ALLIED IRISH BANKS has appointed Sir Douglas Morpeth to the board of the bank as a non-executive director. Sir Douglas is chairman of the Clerical Medical and General Life Assurance Society, chairman of the British-Borneo Petroleum Syndicate and of the trustees of the British Telecom staff superannuation scheme. He is deputy chairman of Brixton Estates and a director of Leslie Langton Holdings, and a director of AGB. Sir Douglas was chairman of Touche Ross & Co from 1979 to 1983 and is still a consultant to the firm.

★

Following its capital injection CNA RE, a British specialist reinsurance subsidiary of the US CNA Group, has made the following reorganisation: At CNA Management Co the board comprises Mr V. H. Blake (chairman and chief executive), Mr A. L. Jones, Mr E. J. Neha (US), and Mr D. J. A. Trace. At CNA Reinsurance of London Mr V. H. Blake is chairman and chief executive and Mr J. Mumford, Mr H. Simons, and Mr D. J. A. Trace directors.

















## Legal Notices

IN THE MATTER OF THE COMPANIES ACT 1985 AND IN THE MATTER OF MENTOR INSURANCE COMPANY (UK) LIMITED (IN VOLUNTARY WINDING UP)

NOTICE IS HEREBY GIVEN pursuant to Section 594 of the Companies Act, 1985 that a general meeting of the members of the above named company will be held at Hill House, 1 Little New Street, London EC4A 3TR on 5th November, 1986 at 10.30 a.m. to be followed immediately by a general meeting of the creditors for the purpose of receiving an account of the Liquidator's acts and dealings and of the conduct of the winding-up to date.

A member or creditor entitled to attend and vote at either of the above meetings may appoint a proxy to attend and vote instead of him. A proxy need not be a member or creditor of the company.

Proxies for both meetings must be lodged at the address below not later than 5 p.m. on Friday, 1st October 1986.

Dated this second day of October, 1986.

C. MORRIS, Liquidator



## Company Notice

BANQUE INTERNATIONALE POUR L'AFRIQUE OCCIDENTALE

US$30,000,000

Floating Rate Notes 1982/1988

The rate of interest applicable to the interest period from 9th October 1986 up to 9th April 1987 as determined by the Reference Agent is 6¼ per cent per annum, namely US$30.97 per note of US$1,000. note of US$1,000.

## International Property











## Company Notices

**American Petroleum Production N.V.**

**Annual General Meeting**

Notice is hereby given that the Annual General Meeting of American Petroleum Production N.V. will be held at Pietermaai 15, Willemstad, Curacao, Netherlands Antilles on 3rd November 1986 at 10.00 a.m. to consider and, if thought fit, to pass resolutions for the following purposes:—

1. To approve the balance sheet of the Company and the Consolidated Balance Sheet as of 30th June 1986, the Related Consolidated Statements of Operations and Retained Earnings (Deficit) and Changes in Financial Position of the Company and its Subsidiaries for the year ended 30th June 1986, together with the respective notes thereto and the auditors' report thereon.
2. To ratify the payment on 30th April 1986 of a distribution of Dlr. 10 per Share by way of Capital Repayment out of Additional Paid in Capital.
3. To approve the Distribution on 26th November 1986 of Dlr. 10 per Share by way of Capital Repayment out of Additional Paid in Capital, and
4. To re-appoint the auditors and authorise the Board to determine their remuneration.

CHEMICAL NEW YORK CORPORATION

US$250,000,000 Floating Rate Subordinated Capital Notes

Due October 1997

In accordance with the provisions of the Notes NOTICE IS HEREBY GIVEN that for the interest period from 9th October 1986 to 9th January 1987 the Notes carry an interest rate of 5$\frac{15}{16}$ per cent per annum. The interest payable on the relevant interest date, January 9th, 1987, against Coupon No. 5, will be US$758.68 per US$50,000 Note.

Agent Bank: CHEMICAL BANK

**Asian Development Bank**

10¼ per cent. Loan Stock 2009

S.G. Warburg & Co. Ltd. announces on behalf of Asian Development Bank that in the six months preceding 24th September, 1986, none of the above Loan Stock was cancelled pursuant to the provisions of the Purchase Fund relating to the above Loan Stock in respect of the twelve months purchase period ending on 28th February, 1987. As at 24th September, 1986, £98,500,000 nominal amount of the above Loan Stock was outstanding.

S.G. Warburg & Co. Ltd.

*Purchase Agent*

*10th October, 1986*

NOTICE TO HOLDERS OF BANK OF TOKYO (CURACAO) HOLDING N.V.

£30,000,000 GUARANTEED FLOATING RATE NOTES DUE 1990

NOTICE IS HEREBY GIVEN that, in accordance with the provisions of the Fiscal Agency Agreement dated as of 21st November, 1983 entered into in relation to the above Notes by The Bank of Tokyo Trust Company acting through its London office as Fiscal Agent, Bank of Tokyo (Curacao) Holding N.V. as Issuer (the "Issuer") and The Bank of Tokyo, Ltd. as Guarantor (the "Guarantor"), The Bank of Tokyo Trust Company acting through its London office, has elected to resign its office as Fiscal Agent, such resignation to become effective as of 19th November, 1986 (the "Effective Date"). On the Effective Date, Bank of Tokyo International Limited acting through its London office located at Northgate House, 20-24 Moorgate, London EC2R 6DH will replace The Bank of Tokyo Trust Company acting through its London office as Fiscal Agent for the above mentioned Notes.

With effect from the Effective Date the authorised agent of the Issuer and the Guarantor to receive service of process on their respective behalf issuing out of the High Court of Justice in England in relation to the above Notes and Coupons relating thereto shall be the person or persons registered for the time being as authorised to accept service of process on behalf of The Bank of Tokyo, Ltd. in England pursuant to Section 691 of The Companies Act, 1985 or any statutory modification thereof.

THE BANK OF TOKYO TRUST COMPANY as Fiscal Agent

MONOPOLIES AND MERGERS COMMISSION REPORT ON THE SUPPLY OF AGENCY SERVICES BY TRAVEL AGENTS FOR TOUR OPERATORS IN RELATION TO THE MARKETING AND SUPPLY OF FOREIGN PACKAGE HOLIDAYS

Notice published by the Secretary of State under Section 91(2) of the Fair Trading Act 1973.

Proposed Order under sections 56 and 90 of, and paragraphs 1, 2, 4 and 7 of Part 1 of Schedule 8 to, the Fair Trading Act 1973 in relation to terms in agreements between tour operators and travel agents in respect of the marketing and supply of foreign package holidays.

(1) Section 91(2) of the Fair Trading Act 1973 ("the Act") requires the Secretary of State, before making an order under section 56 of the Act, other than any such order as is mentioned in section 91(1), to publish, in such manner as appears to him to be appropriate, a notice—
  (a) stating his intention to make the order;
  (b) indicating the nature of the provisions to be embodied in the order; and
  (c) stating that any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing (stating his interest and the grounds on which he wishes to make the representations) before a date specified in the notice (that date being no earlier than the end of the period of thirty days beginning with the day on which the publication of the notice is completed).

(2) The Secretary of State is required by Section 91(2) to consider any representations duly made to him in accordance with the notice before the date specified in the notice.

(3) The Secretary of State accordingly hereby gives notice that he intends to make an order under sections 56 and 90 of, and paragraphs 1, 2, 4 and 7 of Part 1 of Schedule 8 to the Act in relation to terms in agency agreements for the marketing of foreign package holidays which prohibit the travel agents from offering inducements to the public to purchase those holidays and in relation to refusals to deal with, and to discrimination against, travel agents who offer such inducements. The order will be made for the purpose of remedying or preventing the adverse effects specified in a report of the Monopolies and Mergers Commission entitled "A Report on the matter of the existence or possible existence of a complex monopoly situation in relation to the supply in the United Kingdom of agency services by travel agents for tour operators in relation to the marketing and supply of foreign package holidays" as presented to Parliament by the Secretary of State for Trade and Industry by Command of Her Majesty on 10 September 1986. The nature of the provisions to be embodied in the order will be as follows:
  (a) It shall be unlawful for a tour operator to make or carry out a relevant agreement to the extent that that agreement contains provisions, express or implied, which prevent or which are intended to prevent, a travel agent from offering inducements.
  (b) It shall apply to prohibit the carrying out of a relevant agreement already in existence.
  (c) Any tour operator who is a party to a relevant agreement shall, to the extent that the agreement contains provisions referred to in (a) above, terminate it.
  (d) It shall be unlawful for a tour operator to withhold or to agree to withhold or to threaten to withhold orders for agency services from a travel agent who offers or who has offered or who proposes to offer inducements except to the extent that and in circumstances where such orders are withheld, or would be if an agreement or threat to withhold was carried out, on grounds which would have led a reasonable tour operator to withhold orders for agency services from a travel agent in a case where that agent does not offer inducements.
  (e) It shall be unlawful for a tour operator to give or agree to give any preference in the giving of orders for agency services only to travel agents who do not offer inducements or who only offer inducements to a limited extent or in a certain form or have not offered or do not propose to offer inducements.
  (f) For the purposes of these provisions:
  "accommodation" means the provision of a place to sleep and includes the provision of sleeping accommodation in a means of transport where that accommodation represents a substantial part of the accommodation for a holiday and also includes the provision of a site for the erection of a tent or a parking place for a caravan, mobile home or other similar vehicle;
  "agency services" means the services or marketing on behalf of a tour operator foreign package holidays provided by that operator;
  "foreign package holiday" means services, accommodation or facilities provided, under a contract made within the United Kingdom, by a tour operator in connection with a holiday to be taken outside the United Kingdom including as a minimum, transport to and from the United Kingdom together with accommodation outside the United Kingdom (whether or not for the duration of the holiday);
  "inducement" means a benefit, whether pecuniary or not, offered to a class or classes of persons or to the public at large by a travel agent expressly on his own behalf as an incentive to that class or those classes of persons or the public at large to acquire foreign package holidays through him rather than through another;
  "preference" means preference in respect of the terms and conditions of orders (including the amount of any commission paid or payable);
  "relevant agreement" means an agreement, between a tour operator and a travel agent for the supply in the United Kingdom of agency services by the travel agent to the tour operator in relation to the marketing and supply of foreign package holidays;
  "tour operator" means a person who provides foreign package holidays to the public or a section of it; and
  "travel agent" means a person who markets foreign package holidays under one or more relevant agreements on behalf of a tour operator, whether by way of business or no.
  (g) It is intended to provide in order that the provisions indicated in (a), (b), (d), (e) and (f) above shall come into effect not less than 21 days after the order has been laid before Parliament. It is intended to provide that the provisions indicated in (c) above shall come into effect not less than 90 days after the order is so laid and to provide that the requirement in (c) shall be complied with before the expiration of a further period of not less than 90 days beginning with the date when the provisions indicated in (c) come into effect.

(4) Any person whose interests are likely to be affected by the order, and who is desirous of making representations in respect of it, should do so in writing to Mr R. E. Allen, Department of Trade and Industry, Room 641, 1 Victoria Street, London SW1H 0ET, (stating his interest and the grounds on which he wishes to make the representations) before 14 November 1986.

R E Allen

An Assistant Secretary of The Department of Trade and Industry

September 1986




# CONTRACTS

## Helping Canadians see in the dark

United Scientific's subsidiary, Optic Electronic Corp of Dallas, Texas, has been awarded a US$15m (£10.7m) contract for the supply of night-vision goggles to the Canadian Department of National Defence. Deliveries of over 2,000 night vision sets will commence in November 1987 and continue through December 1988. The AN/PVS 504 is the result of a private venture development of OEC. This is the first contract for the goggles from a NATO customer.

Another subsidiary of United Scientific Holdings, Avimo Singapore Pte, will also benefit from the order in the form of a subcontract for the supply of over 2,000 optical assemblies needed for the production. OEC has teamed with Bendix Avelex Inc of Montreal, Canada, to produce the goggles and, as part of the license arrangement, OEC and Bendix Avelex Inc will be jointly marketing the AN/PVS 504.

★

WIMPEY CONSTRUCTION UK, a subsidiary of George Wimpey, has been awarded work valued at over £8m, including a £5.8m housing development for Crawley Borough Council. At the Wincheap Industrial Estate in Cow Lane, Canterbury, work has started on a £648,000 contract for Peel Investments UK, for a single-storey industrial warehouse and offices. Crawley Borough Council has awarded a contract for the 16th phase of a housing development in Bewbush, Crawley, West Sussex. The £5.8m contract covers 107 two-storey houses, 14 blocks of two-storey, two-bedroom flats, 22 blocks of two-bedroom, three-storey flats. Due for completion in September 1988, the work includes garages, landscaping, roads and footpaths. Work has also started on a £1.7m contract, awarded by Senacre Housing Co-operative, for construction of 76 traditionally-built flats and houses in Titchfield Rd, Maidstone. Due for completion December 1987, the contract comprises five two-storey blocks of 40 one-bedroom, single-person flats and 10 one-bedroom, two-person flats. Included will be six one-bedroom, two-person houses and 21 two-bedroom, three-person houses. All roads, drains and external work are to be carried out. At West Durrington, Worthing, Wimpey will undertake a local authority housing contract, worth £1.69m, for Worthing Borough Council. This is for the second phase of the development at West Durrington, where Wimpey will build 48 homes in traditional brick/block construction, consisting of 38 two-storey houses and 10 one- and two-person flats in two- and three-storey blocks. Included in the work will be garages, services, roads and landscaping.

★

GEC MECHANICAL HANDLING has been awarded an order worth £1.4m from Greenwich Resources for the design and supply of a complete gold ore treatment plant. The plant is for the Sudan-Minex gold mining venture—a co-operative project between Greenwich Resources and the Government of the Democratic Republic of Sudan. The installation will comprise crushing, grinding, gravity concentration, flotation, leaching and smelting to recover doré bullion. It will be constructed under GEC supervision at Gebeit Mine in the Red Sea Hills, 200 km from Port Sudan, which is one of the oldest gold mines in the world, having been worked for over 3,500 years.

★

KENT PROCESS CONTROL, a Brown Boveri Kent company, has won a £2m turnkey contract to supply, instal and commission a computer-based telemetry monitoring and control system for the rural water distribution scheme for Bahrain. The system will link to an existing urban water distribution scheme. The order was placed by the Ministry of Works, Power and Water of the State of Bahrain as represented by the Water Supply Directorate.

## Bamford orders £2.6m Cadcom system

J. C. Bamford Excavators has placed an order valued at £2.6m with McDONNELL DOUGLAS INFORMATION SYSTEMS for multiple computer-aided design and manufacturing (CADCAM) systems. The order is for 32 graphics design stations using advanced McDonnell Douglas CADCAM software and associated equipment. Multiple DEC MicroVAX II minicomputer-based UNIGRAPHICS II CADCAM systems, linked with a DEC VAX filesaver on a Eethnet local area network, will be implemented in four phases.

★

STONE TRANSPORATION has won a contract from Metro-Cammell for 228 geared alternator/regulator systems valued at £770,000. The systems will provide auxiliary power for the diesel multiple (Sprinter) units being built by Metro-Cammell as part of British Rail's investment programme.

★

A £300,000 contract has been won by CHUBB FIRE SECURITY to supply the British Army with portable BCF fire extinguishers. The Chubb Fire Security E/BCF Halon extinguisher was designed in conjunction with the Ministry of Defence to meet the need for a lightweight yet rugged and fast-acting general purpose vehicle extinguisher. It contains 3 lbs of Halon extinguishant—enough to tackle effectively most types of vehicle fire including engine and electrical blazes—and is now fitted to almost every category of British Army vehicle from Land Rovers to main battle tanks.

★

FREDERICK PARKER has won a contract worth £500,000 to supply asphalt coating equipment to Bardon Vectis at its Newport quarry site on the Isle of Wight. The order is for the supply of a model 1500 Blackmix.

★

In what is believed to be one of the largest single installations of automatic letter opening and processing equipment in the world has been commissioned from C. P. BOURG of Southall, Middlesex, for National Girobank, Bootle, Merseyside. The contract, worth about £200,000, is for the 25 SESAM3 mail processing machines shown here. With tens of thousands of incoming letters daily, Girobank aims to process customer transactions to a critical time scale. The majority of envelopes contain cheque deposits from personal account holders. Incoming mail needs to be processed at the rate of 800-1,000 letters per hour through day. Letters are fed into the machine by a power driven feed hopper and then slit open on two sides. Suction arms open the envelope and the interior is illuminated to ensure removal of all contents. The SESAM3 can be programmed, using a photocell control unit, to suit each operator's working speed.

★

PHILIPS BUSINESS SYSTEMS has won a contract with the Alliance and Leicester Building Society to install 104 HCS 110 videotex units with 14in. colour monitors in the next three months at a cost of £100,000. The project is part of a pilot scheme using Philips videotex systems to compare insurance quotations from different companies through Prestel's Optionline Interview services. Philips units will be installed in 100 Alliance and Leicester branches throughout the UK, including four units for a bureau operation at its administrative centre in Hove, Sussex.

★

Following an increase in crime rates, West Midlands Police has ordered a HONEYWELL DPS6/851 minicomputer to run an advanced crime information system. The system, worth £200,000, is installed at Kings Heath Police Station and is the first step towards implementing computerised crime reporting systems throughout West Midlands.

★

Two orders from County police forces show ICL's growing strength as a supplier of information procedures. The orders, worth £2.5m, are for ICL Series 39 and DRS 300 equipment, software and professional services.

Northumbria Police will run ICL-based incident archive, fleet management, personnel and stores information services. They will be based on ICL Series 39 with Quickbuild software and ICL DRS 300 workstations, and implemented with help from ICL Consultancy Services.

Lancashire Constabulary, which already uses networks of ICL DRS departmental microcomputers in its six divisions for local incident recording, has ordered a headquarters system to allow countrywide crime reporting and recording. It will use INDEPOL, ICL's specialist package for intelligence services, on ICL Series 39.

★

ATLAS CONVERTING EQUIPMENT has made further progress in the Far East with two contracts for eight slitter rewinders worth over £2m. Two of the machines will be delivered later this year, the other six being due for delivery in 1987. The major order is for the Nan Ya Plastics Co in Taiwan.

★

BRS Truck Rental has ordered 95 MAN and VOLKSWAGEN trucks and vans valued at nearly £2m for delivery this autumn. The order covers tractor units, 7½ tonnes and 16-ton trucks from MAN and LT panel vans and chassis cabs from Volkswagen.

★

ROSSER & RUSSELL BUILDING SERVICES has been awarded a contract worth £1.2m by the South East Thames Regional Health Authority. The contract is for the reboilering of St Thomas's Hospital, London SE, and involves the installation of three Babcock Robey boilers, each rated at 8,634 Kw. The work will be completed in two phases, phase one by October 1986 and phase two by March 1987.

★

## US Government orders data communications network

The US Social Security Administration has awarded RACAL-MILGO through its wholly-owned subsidiary Racal-Milgo Government Systems, Inc., a contract for a diagnostically controlled data communications network. The value covering equipment and maintenance services could exceed US$11m (£7.8m) over its five-year term. Included in the contract are Omnimode intelligent modems and CMS (communications management series) network diagnostic and control systems to be supported by Racal-Milgo's nationwide direct field service organisation. The SSA is using the equipment and services to build and expand the capabilities of its data communications utility network connecting some 1,500 offices in the US and its protectorates. The network will handle interactive Social Security claims processing and is scheduled to begin shortly.

NOTICE TO HOLDERS OF

**BANK OF TOKYO (CURAÇAO) HOLDING N.V.**

U.S. $50,000,000
Guaranteed Floating Rate Notes Due 1987

U.S. $100,000,000
13¾ per cent. Guaranteed Bonds Due 1989

U.S. $125,000,000
11 per cent. Guaranteed Bonds Due 1990

U.S. $100,000,000
11¾ per cent. Guaranteed Bonds Due 1990

U.S. $75,000,000
Guaranteed Floating Rate Notes Due 1991

U.S. $100,000,000
Guaranteed Floating Rate Notes Due 1991

U.S. $100,000,000
12¾ per cent. Guaranteed Bonds Due 1992 with Warrants

U.S. $100,000,000
12¾ per cent. Guaranteed Bonds Due 1992 with Warrants

U.S. $30,000,000
Guaranteed Floating Rate Notes Due 1993

**HAZAMA-GUMI, LTD.**

U.S. $30,000,000
6 per cent. Convertible Bonds 1996

**MITSUI REAL ESTATE DEVELOPMENT CO., LTD.**

U.S. $35,000,000
7¼ per cent. Convertible Bonds Due 1996

**TOSHIBA CORPORATION**

U.S. $50,000,000
7¼ per cent. Convertible Debentures Due 1994

**TOYO MENKA KAISHA, LTD.**

U.S. $20,000,000
7¾ per cent. Convertible Bonds 1996

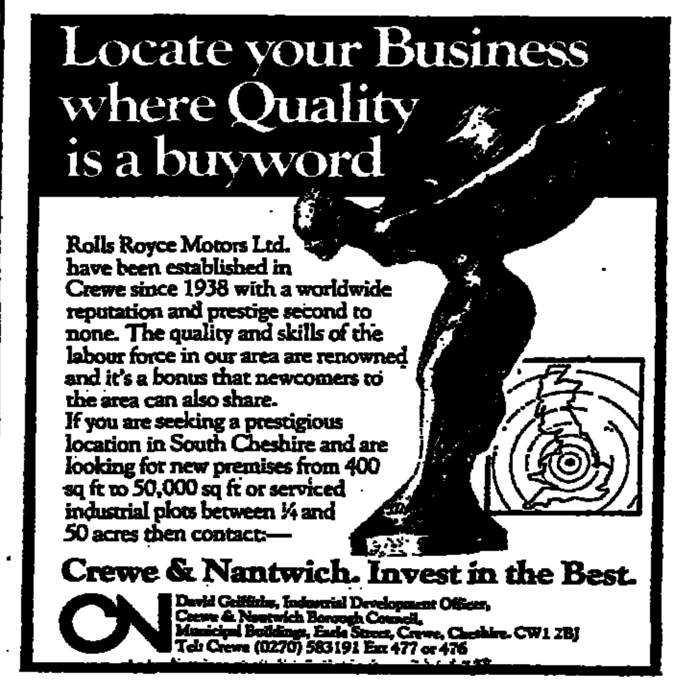
U.S. $30,000,000
6¼ per cent. Convertible Bonds 1996

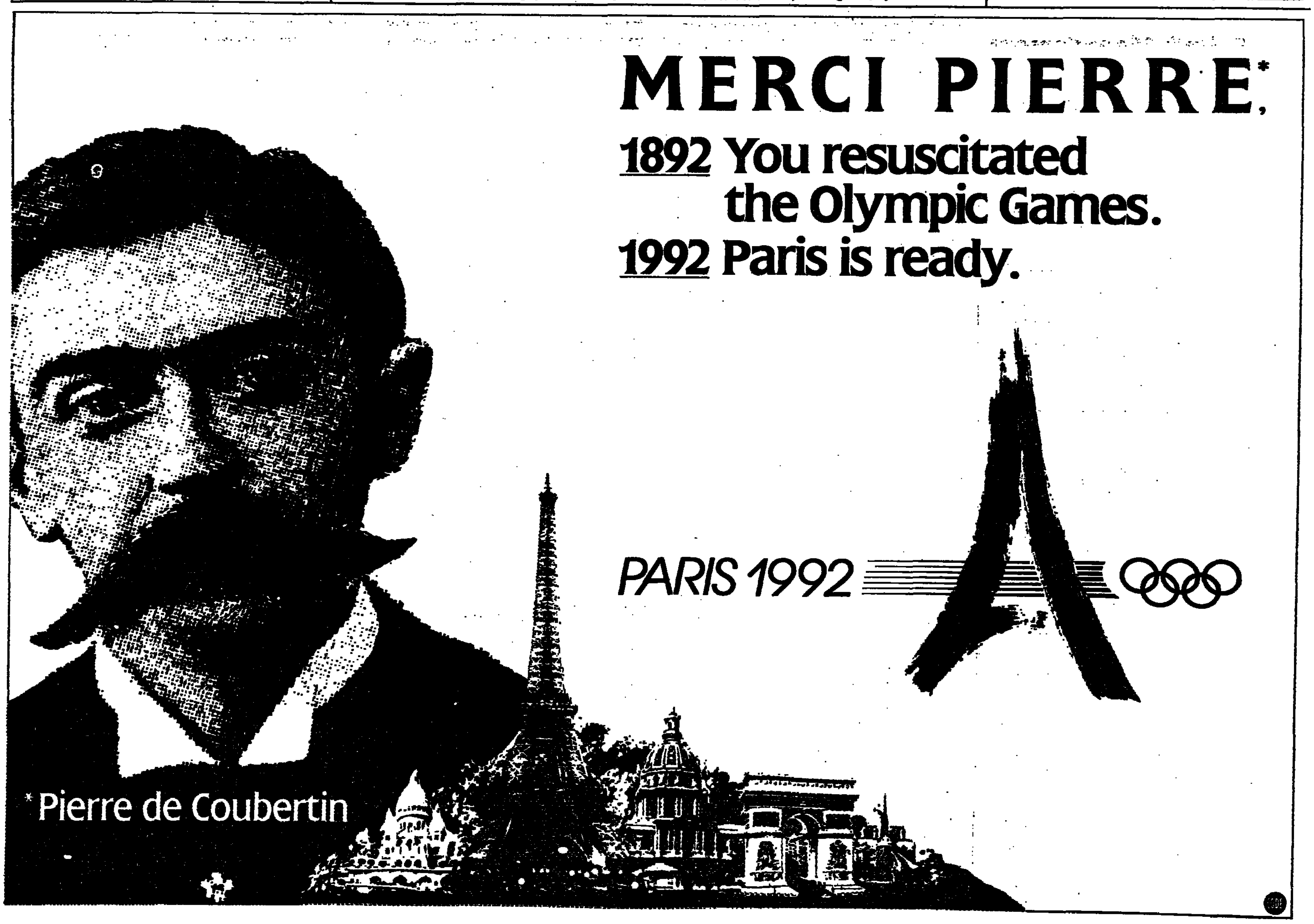
NOTICE IS HEREBY GIVEN that, in accordance with the provisions of the relevant Agency Agreement between The Bank of Tokyo Trust Company, acting through its London office, as Replacement Agent and the various companies listed above relating to the above mentioned bonds, debentures, notes and warrants, The Bank of Tokyo Trust Company acting through its London office, has elected to resign its office as Replacement Agent, such resignation to become effective as of December 12, 1986 (the "Effective Date").

On the Effective Date, The Bank of Tokyo, Ltd. acting through its London office located at Northgate House, 20/24 Moorgate, London EC2R 6DH, will replace The Bank of Tokyo Trust Company acting out of its London office as Replacement Agent for the above mentioned bonds and warrants.

THE BANK OF TOKYO TRUST COMPANY
as Trustee and Principal Paying Agent

Dated: October 10, 1986



# LONDON RECENT ISSUES

## EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price | + or – | Net. Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §43 | F.P. | — | 59 | 49 | ‡Broad St. Grp.10p | 50 | –1 | b1.1 | 2.2 | 3.1 | 20.7 |
| §130 | F.P. | 17/10 | 195 | 152 | ‡Creighton Labs 20p | 195 | +2 | U3.7 | 2.2 | 2.7 | 23.6 |
| 160 | F.P. | 24/10 | 146 | 123 | Euro Home Products 5p | 142 | +7 | R4.25 | 2.5 | 4.2 | 10.9 |
| §105 | F.P. | 16/10 | 112 | 103 | ‡Eve Construction | 106 | +1 | a4.5 | 3.2 | 6.0 | 7.5 |
| §135 | F.P. | 24/10 | 162 | 145 | ‡Great Southern 10p | 162 | +4 | R5.2 | 2.2 | 4.5 | 13.9 |
| ■■ | F.P. | — | 28 | 27 | Group Development | 27 | ...... | — | — | — | — |
| 105.25 | F.P. | — | 108 | 104 | India Fund £1 | 108 | ...... | — | — | — | — |
| §135 | F.P. | 24/10 | 183 | 145 | ‡Local London Group 5p | 183 | +8 | W5.0 | 1.8 | 3.8 | 20.6 |
| 110 | F.P. | — | 121 | 119 | Marlbor'gh Tech Man 5p | 120 | +1 | R2.70 | 3.1 | 3.2 | 12.1 |
| §105 | F.P. | 24/10 | 150 | 133 | ‡Miller & Santhouse 5p | 150 | +2 | u2.25 | 2.4 | 2.1 | 28.0 |
| §75 | F.P. | 24/10 | 79 | 73 | ‡Newage Trans 5p | 74 | +1 | R3.5 | 2.5 | 6.7 | 8.4 |
| §25 | F.P. | 22/10 | 26½ | 25½ | Nth of Scotland Inv 10p | 26 | –½ | — | — | — | — |
| §90 | F.P. | — | 90 | 88 | ‡Radamec Group 5p | 90 | ...... | R1.28 | 3.7 | 2.0 | 12.3 |
| 135 | F.P. | 24/10 | 163 | 151 | Sandell Perkins 10p | 163 | +2 | u3.8 | 2.9 | 3.3 | 15.0 |
| — | F.P. | 3/10 | 18½ | 9 | Sutcliffe Speak Wrnts | 16 | ...... | — | — | — | — |
| ‖‖ | F.P. | — | 385 | 335 | ‡Utd. Trust & Credit £1 | 345 | –5 | u14.0 | 2.1 | 5.7 | 11.9 |
| 125 | F.P. | 10/10 | 156 | 136 | Yorkshire TV | 146 | +2 | R6.25 | 2.4 | 6.0 | 9.9 |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price £ | + or – |
|---|---|---|---|---|---|---|---|
| ‖ | Nil | — | 1½pm | ½pm | Comtech Finance 11½% Cnv. Uns. Ln. 1996 | 1pm | ...... |
| §100 | £10 | — | 11¼ | 11¼ | East Worcs. Water 12½% Red. Deb. 94-96 | 11¼ | ...... |
| §100 | £10 | — | 10½ | 10½ | Essex Water 11¾% Red. Deb. 2002-04 | 10½ | ...... |
| ‖ | Nil | 14/11 | 7pm | 6pm | ‡Goodhead Print 7% Cnv. Red. Prf | 7pm | ...... |
| §100 | £10 | 15/5 | 9½ | 3½ | Mid-Sussex Water 11% Red Deb 2012-16 | 3½ | ...... |
| §99.937 | £25 | 24/10 | 25¼ | 22¼ | Nationwide 5⅞% (I. L.) Ln. 2021 | 25¼ | –⅛ |
| — | F.P. | — | 100⅛ | 98⅛ | Do 9⅞% 7/9/87 | 98⅛ | –⅛ |
| — | F.P. | — | 100⅛ | 99 | Do 10⅛% 21/9/87 | 99 | –⅛ |
| 96.645 | £25 | 8/1 | 24¼ | 17 | Scot. Met. Prop. 10¼% 1stMort.Deb.2016 | 19 | +½ |
| — | F.P. | — | 112p | 104p | Scott. & Newcastle 7% conv. Pref. £1 | 112p | +1 |
| — | F.P. | 3/10 | 98p | 96p | Sutcliffe Speak 9½% Red. Cum. Prf. | 98p | ...... |
| ¶¶ | F.P. | 24/10 | 122p | 115p | WCRS 5½% Cnv. Cum. red. Pref. 1999 | 120p | –1 |
| ¶¶ | F.P. | — | 95p | 92½p | Walker (C & W) 6½pc Cnv Cum Red Pref | 94p | ...... |
| ¶¶ | F.P. | — | 104p | 101p | Williams Hldgs 5¼% Cum Cnv Prf | 101p | ...... |

## "RIGHTS" OFFERS

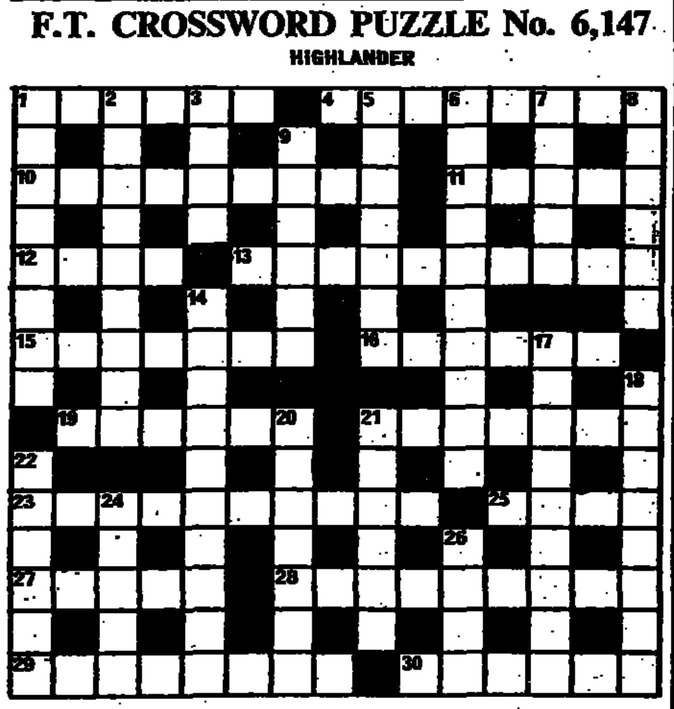
| Issue Price p | Amount Paid up | Latest Renunc. Date | 1986 High | 1986 Low | Stock | Closing Price p | + or – |
|---|---|---|---|---|---|---|---|
| 125 | Nil | 21/11 | 12pm | 8pm | Applegard Group | 12pm | +½ |
| 140 | Nil | — | 24pm | 21pm | Baaro Inds. 20p | 23pm | ...... |
| 180 | Nil | — | 9pm | 3pm | Beazer (C.H.) 10p | 7pm | ...... |
| 120 | Nil | 21/11 | 22pm | 16pm | Brent Chemicals 10p | 22pm | ...... |
| 70 | Nil | 13/11 | 66pm | 63pm | Bromsgrove Inds | 64pm | ...... |
| 195 | Nil | 24/10 | 18pm | 3pm | Bunzl | 3pm | ...... |
| 71 | Nil | — | 6pm | 6pm | Burns Anderson 10p | 6pm | ...... |
| ‖ | Nil | 24/10 | 1pm | ½pm | Cambian Venture Cap. 5p | ½pm | ...... |
| 25 | Nil | 27/10 | 8pm | 4pm | Christy Hunt | 4pm | ...... |
| $1.80 | Nil | 26/11 | 12½pm | 5pm | E.R.I.C. | 5pm | ...... |
| 75 | Nil | 11/11 | 30pm | 24pm | Intl. Fin. & Inv. Corp. | 25pm | –1 |
| 30 | Nil | 25/11 | 9pm | 6pm | Leisuretime Intl. | 6pm | ...... |
| 215 | Nil | 24/10 | 5pm | 2pm | New Court Nat.Res. 5p | 2½pm | ...... |
| 5 | Nil | 21/11 | 1pm | ½pm | Platignum 5p | 1pm | ...... |
| 140 | Nil | 13/11 | 26pm | 15pm | Tilbury Group | 26pm | +13 |
| 250 | Nil | 24/10 | 49pm | 43pm | Tiphook 10p | 49pm | ...... |
| 50 | Nil | 19/11 | 7pm | 6pm | Tharger Bardex 10p | 6pm | –½ |
| 60 | Nil | 21/11 | 13pm | 9pm | United Spring 10p | 9pm | ...... |
| 60 | Nil | 11/11 | 11pm | 8pm | Western Selection 20p | 9pm | ...... |

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. *c* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.



## F.T. CROSSWORD PUZZLE No. 6,147

HIGHLANDER



### ACROSS

1 Sprinkling device gives physician an advantage (6)
4 Bony obstruction presents a challenge (8)
10 Today's "Eve" concludes concert series (4, 5)
11 Transported and delivered a quarter (5)
12 This style sounds ostentatious (4)
13 Dice five, wrapping in clover (10)
15 Spanish hero arrives back to take root (7)
16 Ran off with staff returns on education (6)
19 Foreign official settled strike (6)
21 Encouraged and applauded (7)
23 Odd—Baker's first record frequently used to stop (4, 6)
25 Quiet old English brogue (4)
27 First class railway has succeeded in turning this country round (5)
28 Inelegant, wild rose (9)
29 Implies one knows people changes mean decline (4-4)
30 Land is burning (6)

### DOWN

1 First of the French takes current line, in a manner of speaking (8)
2 This company's in tea, said to be blended (4, 5)
3 Left in a handbag on Euston station (4)
5 An East Indies wood, reportedly very old (7)
6 Netball leader gets broken elbow—a warning for the ladies (10)
7 Huge, endless and old—take it slowly (5)
8 Top singer deserves a good measure (6)
9 Take gin and it with a tonic and make light of it (6)
14 It shows the position before timber is cut (10)
17 One found on this planet differs from real thing (9)
18 Fan is sticking (8)
20 Soothing draught—recognise the smell? (7)
21 Old king goes about referring to people of European blood (6)
22 Relative is not even likely to succeed (4-2)
24 The way rugby men start to play (5)
26 American duck with blue colouring (4)

**Solution to Puzzle No. 6,146**

```
MERCHANTMAN SIP
I A A E A I I E
STILL ARROGANCE
T N V T I H B L
RECREMENT TEASE
E O S A W D R
SEALANT LIED
S T C A O O
  ACID ARRIVED
P M L E M E O
ARENA SNAREDRUM
L A I E S X T E
LANDMARKS TROUT
E E E V E R O E
TOR DEERSTALKER
```

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

[illegible]

# AUTHORISED UNIT TRUSTS & INSURANCES

**Whittingdale Unit Trust Managers**
2 Honey Lane, London EC2V 8BT 01-606 9085/6

| | | | | |
|---|---|---|---|---|
| Short Dat Gilt Fd | 67.8 | 68.9 | — | — |
| U.S. Govmt Bond Fd | 50.514 | 0.517 | — | — |

**Windsor Trust Mngrs Ltd**
83 Kingsway, London, WC2B 6SD 01-405 8331

| | | | | |
|---|---|---|---|---|
| Conv'd & Equity Tst | 49.2 | 52.3 | +0.1 | 7.65 |
| Growth Trust | 51.7 | 55.0 | -0.2 | 2.25 |
| Income Trust | 53.3 | 56.8 | +0.4 | 5.11 |

**Wright Seligman Fund Managers Ltd**
11 Blomfield St, London EC2M 7AY 01-588 0592

| | | | | |
|---|---|---|---|---|
| Growth Fund | 68.5 | 72.0 | — | 2.80 |

Weekly dealing day Tuesday

**The Yorkshire General Trust**
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

| | | | | |
|---|---|---|---|---|
| Y.G.T. | 127.6 | 135.8 | — | 3.18 |

# INSURANCES

**AA Friendly Society**
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

| | | | | |
|---|---|---|---|---|
| AA Friendly Sy Aug 12 | — | 105.9 | — | — |

**Abbey Life Assurance Co Ltd**
80 Holdenhurst Road, Bournemouth 0202 292373

| | | | | |
|---|---|---|---|---|
| Prop. Ser. 1 | 206.9 | 217.8 | — | — |
| Equity Ser. 1 | 200.4 | 205.7 | +0.4 | — |
| Prop. Acc. Ser 2 | 278.5 | 293.2 | — | — |
| Equity Ser 2 | 109.1 | 114.9 | +0.4 | — |
| Selective Acc. | 233.8 | 246.2 | +0.3 | — |
| Prop. Ser. 4 | 220.1 | 231.7 | — | — |
| Equity Ser. 4 | 112.5 | 118.5 | +0.4 | — |
| Fixed Int. Ser. 4 | 175.2 | 184.5 | +0.6 | — |
| Indexed Inv. Ser. 4 | 109.6 | 115.4 | -0.6 | — |
| American Ser. 4 | 256.5 | 270.0 | +1.5 | — |
| High Inc. Ser. 4 | 284.3 | 299.3 | +2.3 | — |
| Japan Ser 4 | 245.3 | 258.3 | +2.5 | — |
| Man. Ser. 4 | 347.6 | 365.9 | +1.3 | — |
| Money Ser. 4 | 196.5 | 206.9 | — | — |
| European Ser 4 | 123.9 | 190.5 | +0.2 | — |
| Pension Funds | | | | |
| Property | 357.7 | 376.6 | — | — |
| Equity | 756.2 | 796.0 | +2.8 | — |
| Selective | 247.5 | 260.6 | +0.5 | — |
| Managed | 614.3 | 646.7 | +2.4 | — |
| Security | 340.7 | 358.7 | — | — |
| Fixed Int. | 187.8 | 197.7 | +0.6 | — |
| European | 199.9 | 210.5 | +0.5 | — |
| American | 213.6 | 224.9 | +1.6 | — |

[illegible]

**City of Westminster Assurance—Contd.**

| | | | | |
|---|---|---|---|---|
| Far East Fund | 222.6 | 234.4 | -0.1 | — |
| North American Fund | 173.2 | 182.4 | +3.9 | — |
| Natural Resources Fund | 148.6 | 156.5 | +1.8 | — |
| Pension Managed Fund | 375.6 | 395.4 | +1.0 | — |
| Pension Equity Fund | 235.3 | 247.7 | +0.6 | — |
| Adventurous Mngd Fd | 118.7 | 125.0 | +0.3 | — |
| Balanced Mngd Fd | 116.6 | 122.8 | +0.4 | — |
| Conservative Mngd Fd | 109.5 | 115.3 | +0.3 | — |
| European Fund | 107.1 | 112.8 | -0.2 | — |
| International Fund | 117.8 | 124.0 | +1.1 | — |
| S.U.N. Flagship Fd | 125.7 | 132.4 | +0.5 | — |

For other prices please telephone 0908 606101/640900

**Clerical Medical/Fidelity International**
Narrow Plain, Bristol BS2 0JH 0272 290566

| | | | | |
|---|---|---|---|---|
| Investment Funds | | | | |
| Mixed | 133.7 | 140.8 | +0.9 | — |
| Equity | 149.9 | 157.8 | +1.5 | — |
| Property | 109.7 | 115.5 | — | — |
| Gilt & Fixed Interest | 107.2 | 112.9 | +0.5 | — |
| Indexed Securities | 98.2 | 103.4 | +0.2 | — |
| Cash | 107.9 | 113.6 | — | — |
| North American | 109.0 | 114.8 | +0.3 | — |
| Far East | 135.0 | 142.2 | +0.5 | — |
| International | 127.9 | 134.7 | +0.4 | — |
| Special Situations | 145.3 | 153.0 | +1.5 | — |
| International Income | 140.8 | 148.3 | +1.1 | — |
| American Income | 119.3 | 125.6 | +0.4 | — |
| European | 152.8 | 160.9 | -1.1 | — |
| Flexible Retirement Plan | | | | |
| Mixed | 138.3 | 145.6 | +1.2 | — |
| Equity | 144.0 | 151.6 | +1.8 | — |
| Property | 115.2 | 121.3 | +0.5 | — |
| Gilt & Fixed Interest | 113.1 | 119.1 | +2.1 | — |
| Indexed Linked | 99.7 | 105.0 | -0.1 | — |
| Cash | 115.9 | 122.0 | — | — |
| North American | 114.4 | 120.5 | +0.6 | — |
| Far East | 153.9 | 162.0 | +0.8 | — |
| International | 137.2 | 144.5 | +1.1 | — |
| Special Situations | 164.2 | 172.9 | +1.8 | — |
| European | 181.3 | 190.9 | +3.7 | — |
| Executive Investment Pension Plan | | | | |
| Prices on October 2. Unit dealings on Wednesday | | | | |
| Cash Fd | 139.5 | 146.9 | — | — |
| Mixed Fd | 185.6 | 195.4 | — | — |
| Fixed Int. Fd | 139.5 | 146.9 | — | — |
| UK Equity Fd | 215.2 | 226.6 | — | — |
| Property Fd | 133.5 | 140.4 | — | — |
| Overseas Fd | 188.4 | 198.4 | — | — |
| Index Linked Fd | 106.7 | 112.4 | — | — |
| Stock Ex. Fd | 150.0 | 157.9 | — | — |
| North Am Fd | 115.8 | 121.9 | — | — |
| Far East Fd | 155.8 | 164.1 | — | — |
| Special Sits Fd | 158.8 | 167.2 | — | — |
| Europ. Fd | 168.1 | 177.0 | — | — |

Initial prices available on request.

[illegible]

# INSURANCE, OVERSEAS & MONEY FUNDS

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## Money Market Trust Funds

## Money Market Bank Accounts

### Tyndall & Co
29 33 Princess Victoria St, Bristol 0272 732241

### J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

### Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 224141

### Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE 01-606 9485

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—Compounded annual rate. Int Cr: frequency interest credited.

## NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

# TRADITIONAL OPTIONS
## 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 30 | NEI | 11 |
| Amstrad | 23 | Nat West Bk | 48 |
| BAT | 35 | P & O Dfd | 45 |
| BOC Grp | 28 | Plessey | 18 |
| BSR | 11 | Polly Peck | 16 |
| BTR | 28 | Racal Elect | 16 |
| Babcock | 17 | RHM | 20 |
| Barclays | 45 | Rank Org Ord | 45 |
| Beecham | 40 | Reed Intnl | 75 |
| Blue Circle | 55 | STC | 16 |
| Boots | 22 | Sears | 12 |
| Bowaters | 30 | TI | 42 |
| Brit Aerospace | 45 | Tesco | 32 |
| Brit. Telecom | 17 | Thorn EMI | 40 |
| Burton Ord | 28 | Trust Houses | 15 |
| Cadburys | 17 | Turner Newall | 18 |
| Charter Cons. | 22 | Unilever | 120 |
| Comm Union | 28 | Vickers | 40 |
| Courtaulds | 26 | Wellcome | 17 |
| FNFC | 17 | **Property** | |
| Gen Accident | 75 | Brit Land | 16 |
| Gen Electric | 17 | Land Secs | 30 |
| Glaxo | 85 | MEPC | 32 |
| Grand Met | 34 | Peachey | 24 |
| GUS 'A' | 85 | **Oils** | |
| Guardian | 75 | Brit. Oil & Min. | $2\frac{1}{2}$ |
| GKN | 32 | Brit Petroleum | 48 |
| Hanson Tst. | 16 | Burmah Oil | 30 |
| Hawker Sidd. | 48 | Charterhall | 4 |
| ICI | 55 | Premier | $3\frac{1}{2}$ |
| Jaguar | 38 | Shell | 55 |
| Ladbroke | 32 | Tricentrol | 11 |
| Legal & Gen | 24 | Ultramar | 18 |
| Lex Service | 28 | **Mines** | |
| Lloyds Bank | 38 | Cons Gold | 140 |
| Lucas Inds | 52 | Lonrho | 24 |
| Marks & Spencer | 18 | Rio T Zinc | 50 |
| Midland Bk | 44 | | |
| Morgan Grenfell | 30 | | |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

## EEC provides aid for French sheep farmers

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Community stepped in yesterday to support France's hard-pressed lamb producers, who have seized and destroyed lorry-loads of imported lamb in recent days.

In a move clearly designed to boost market prices for domestic producers, the 12-member states have agreed to a temporary scheme which will provide subsidies for private storage of up to 4,000 tonnes of sheepmeat.

Lamb prices in France are currently languishing at some 15 per cent below last year's levels.

The measure is significant not just as a response to the increasingly angry protests of French lamb producers, but because it is only the second time that the EEC has implemented a so-called "private aids" scheme in the sheepmeat regime.

The subsidies will be available for storage of sheepmeat between October 15 and November 15, at a carcass rate of Ecu 600 (£436) per tonne.

European Commission officials expect the budgetary implications will be minimal and point out that the cost of the scheme should be offset by lower ewe premium payments as market prices rise. This premium is a deficiency payment calculated on the difference between the market price and an EEC wide "guide" price, which is set at a level calculated to give farmers an adequate return.

The plight of the French farmers is the result of a number of factors, notably this year's drought and the rising flood of cheap imports particularly from Britain but also from elsewhere. The sharp depreciation of sterling has given British exporters a major competitive edge whilst the wet British summer and the late slaughtering in gas a result of the Chernobyl nuclear disaster has contributed to a glut of British lamb at the moment.

The absence on sheepmeat of Monetary Compensatory Amounts (MCAs)—the system of import taxes and export subsidies designed to even out currency fluctuations—has left the French market open to cheap British products. The result is market prices recently in France which are below the cost of local production.

French farmers have also been calling for a full scale EEC market intervention scheme, which is possible in France under the rules of the sheepmeat regime at a certain price level. These circumstances, however, do not yet apply.

The French also continue to voice their long-standing complaint that the British "variable premium" system is discriminatory and provides an unfair advantage.

The new scheme introduced yesterday will apply to all sheepmeat products, though the subsidy level varies from case to case.

## Report predicts renewed oil price slide

By Lucy Kellaway

THE RISE in oil prices over the last few months from less than $10 a barrel to about $15 is no more that an "Indian summer", and a new oil price collapse is imminent.

This warning is given by the Economist Intelligence Unit in its latest Middle East Quarterly Energy Review published today.

The report draws attention to the excess supply of oil on the market. Before the latest Opec production agreement took effect last month, Opec was producing up to 21m barrels a day, it says. And given that the oil takes 6 to 8 weeks to reach Western markets, the effect of the production surge will only start to be felt this month.

It warns that oil stocks in importing countries are very high, and Rotterdam is "full to the brim".

The report holds out little hope of a lasting Opec agreement on production quotas, and argues that the financial pressures on Opec members to increase output are intensifying. Meanwhile it says that non-Opec members have done little to support prices by cutting output.

Moreover, there is little prospect for any revival of demand in the major oil consuming areas, the report argues.

*Middle East Quarterly Energy Review. The Economist Publications, 40 Duke Street, London W1A 1DW.*

● WORKERS AT Commonwealth Aluminium's 185,000 short tons per year Goldendale smelter in Washington State have agreed terms for a new three-year labour contract, reducing to four the number of US primary aluminium plants still affected by strike action, writes David Owen in Chicago.

Protracted strikes continue at smelters with a combined capacity of 547,000 short tons in Maryland, Ohio, Missouri and Kentucky, but all are still operating at reduced levels using non-union staff.

● AN AMENDMENT aimed at adjusting US sugar import quotas in favour of Caribbean countries, Ecuador and the Philippines and barring sugar imports from countries which produced narcotics or imported Cuban sugar is now unlikely to pass after meeting resistance in Congress. Mr Clayton Yeutter, the US trade representative, and Mr Richard Lyng, the Agriculture Secretary, told Congress in a letter that the amendment could have "highly negative political and economic implications" for traditional suppliers such as Canada and Australia as well as many developing countries.

## Hoarding boosts pepper prices

BY STEFAN WAGSTYL

THOUSANDS OF farmers in pepper-producing countries are hoarding increasing amounts of their crop pushing up prices to record levels.

A rise in the price of pepper in the past two years has encouraged producers to hold larger stocks partly because they hope to realise higher profits by delaying sales and partly because hoarding pepper is a traditional rural way of saving.

White pepper, which usually commands a premium over black pepper because it is left to ripen for longer on the vines, reached an all-time peak earlier this year of $7,200 a tonne and is now trading at about $6,600 a tonne in Europe. But shortages are so acute that in recent weeks black pepper prices have risen sharply, reducing the discount to white and trading at up to $5,500 a tonne for the top quality Indian crop.

Traders say that although prices can swing wildly in the volatile pepper market, there is every sign that they will continue to rise. "There is no prospect of any substantial decline for at least a year," said one.

Just four countries — Indonesia, India, Malaysia and Brazil—account for 92 per cent of world production and together form the International Pepper Community.

According to the IPC, exportable world production will this year be about 20,000 tonnes short of consumption of some 120,000 to 130,000 tonnes. Consumers stocks have fallen greatly since demand has exceeded supply in each of the last three years. The decline in the value of the Brazilian and Indonesian currencies has been partly responsible in falling exports from these countries.

## Another cocoa surplus in prospect

BY RICHARD MOONEY

WORLD COCOA production in 1986-87 is likely to outstrip consumption for the third year in succession, according to London merchant Gill and Duffus.

In the latest edition of its Cocoa Market Report, published today, Gill and Duffus says the effects of adverse weather conditions in West Africa, the main growing region, have been largely offset by the prospect of a record crop in Brazil and further increases in Malaysia and Indonesia. As a result the the world total is projected at 1,903,000 tonnes, 4,000 tonnes down from the 1985-86 figure and only 28,000 tonnes short of the 1984-85 record.

Consumption (measured in terms of bean grindings) is expected to reach a record 1,841,000 tonnes, but this would still leave a surplus of 62,000 tonnes, lifting world stocks to 690,000 tonnes the third highest level ever.

Although this outlook would appear distinctly bearish for cocoa prices the report points out that a theoretical support level is provided by the prospect of buying for the International Cocoa Agreement's buffer stock. "The buffer stock manager's "may buy" level works out at £1,501 a tonne at the moment, less than £40 below the comparable London futures market price.

"On the basis of statistics such as those we have outlined it is unlikely that the market will drop below this level in the next few months despite the growing pressure of new crop shipments," Gill and Duffus says.

"However," it warns, "should fundamental developments lead the market to expect—a much larger surplus, then it is probable that prices will quickly fall through the theoretical support level to a substantially lower range."

## Arab aluminium producers capitalise on cheap energy

BY ANDREW GOWERS IN BAHRAIN

While aluminium companies in much of the Western world cut back production and complain about prices, there are two producers in the Middle East which are expanding output.

Aluminium Bahrain (Alba) and Dubai Aluminium (Dubal), which were set up in the 1970s to capitalise on cheap energy and to diversify the two Gulf states' oil-dependent economies, are determined to ride out the recession. Profits at both must have suffered in the 1980s, particularly in 1982, but with continuing access to low-cost natural gas they are in a better position than many competitors. However, exact comparisons are impossible to make since Dubai refuses to comment on its financial performance and Alba declines to discuss year-by-year results.

The Gulf may be a minor player in the world production league, but what is going on there provides a vivid illustration of the deep structural changes which are continuing in the international aluminium industry.

What is more, there are plans to build a third Gulf smelter at an estimated cost of $650m in Umm al-Qaiwain, a tiny northern member of the United Arab Emirates Federation.

At Alba, a joint venture between Kaiser Aluminium of the US, Breton Investments of West Germany and the governments of Bahrain and Saudi Arabia on the scorched plain south-east of Manama, an expansion and modernisation programme is under way which will take production capacity from its present level of between 175,000 and 178,000 tonnes a year to around 225,000 tonnes by 1989. The expansion is likely to entail borrowing around $160m, and Alba has recently been in the market for half that amount.

The plans for Dubal, 100 per cent owned by the Government of Dubai, are more modest and less costly, involving an attempt to boost efficiency rather than to expand pot room capacity. It is currently pumping out 155,000 tonnes a year compared with design capacity of 135,000 tonnes, and hopes by fine tuning its technology to increase output to 170,000 tonnes by the end of the decade.

Mr Gudvin Tofte, Alba's Norwegian general manager, is unrepentant about the expansion plans and blunt about the producers which are having to cut back.

"It would be wrong to co-operate with production cuts just to support inefficient capacity" he says. "There's still a lot of old capacity with high energy costs to come out. Only the fittest will survive."

Mr Tofte knows what he is talking about. Both Alba and Dubal have been major beneficiaries of the sweeping rationalisation that has taken place in recent years in Japan's aluminium industry. Japan has been their number one customer for years, although this year its purchases from Dubai have been overtaken by American demand.

"What we're seeing is a restructuring of the whole industry," says Mr Riyad al-Alawi, marketing manager at Dubal on the Emirate's Jebel Ali industrial estate. "Those with cheap energy sources are among the best placed."

Low-cost energy is, of course, the key to both aluminium smelters — specifically, natural gas. Bahrain's reserves of gas are likely to be more enduring than its oil, and are sufficient to last it well beyond the end of the century at present levels of consumption. Dubal obtains its gas supplies at generate electricity as the spillover from a liquid natural gas processing plant nearby.

For both of them, the price paid for energy supplies is a closely guarded secret. Mr Tofte says energy is nowhere near as cheap for Alba as it is for the mammoth hydro-electrically-driven projects in Canada, but it is still cheap.

Dubal's gas-fired power station.

This means that the Bahraini operation cannot see much benefit in closing down a potline in order to cut costs. In a small and sensitive society like Bahrain it is particularly difficult now to dismiss workers—although Alba has actually reduced its workforce from about 3,000 in 1976 to 1,700 now while boosting annual production by more 50,000 tonnes.

"A lot of costs that you would consider variable in the US, like labour, we have to see as fixed" claims Mr Tofte. "As long as the price stays above $800 a tonne we could not financially justify cutting production."

In spite of the present bullish sentiments, the history of aluminium in the Gulf has been a chequered one. Alba was conceived by Bahrain and six foreign companies during the 1960s against the background of a reasonably strong and stable world aluminium market. But soon after it came on stream in 1971, there was a surplus of supply over demand for the first time, and prices collapsed.

Through the 1970s, ownership of Alba went through a painful restructuring. Four of the original shareholders bailed out, and the Saudi Government came in with its own stake. Since then, demand for aluminium products within the Middle East has taken a knock as a result of the Gulf war and of the downturn in oil prices — although Alba is this year finding a ready regional market for its basic metal with the opening of a new rolling mill in Bahrain.

As a newer arrival, Dubal missed the worst of the world market problems. But it has had to work hard to build links with foreign customers — especially by focusing on specialised value-added niches of the market such as billets, foundry ingots and high-purity metal, rather than the basic commodity.

For the future, Alba says it might consider a further expansion after the current programme is complete. This would have to be more far-reaching than the present plan, which principally involves expanding the potrooms and the power station.

To justify the extra investment, Mr Tofte says the smelter would need to add between 60,000 and 100,000 tonnes of capacity. And that depends entirely on cheap energy supplies, whether Bahraini in origin or imported from the huge fields of Saudi Arabia or Qatar.

In Umm al-Qaiwain, meanwhile, plans are proceeding for a third Gulf smelter, to be known as Umalco. The partners are China's National Minerals and Metals Import/Export Corporation (Minmet), the Hong Kong-based Everbright Holdings (with a combined stake of 10 per cent), Southwire of the US (10 per cent), Aluminium Company of America (5 per cent) and the Umm al-Qaiwain Government. Despite its efforts to boost its own aluminium production, China has signed a 12-year agreement to take 65 per cent of the smelter's expected annual output of 120,000 tonnes.

Once again, cheap gas is the key to the venture's chances of getting off the ground. Umm al-Qaiwain has some offshore gas, and hopes to make good any shortfall by tapping a field in the Sharjah, the next-door but-one emirate.

Perhaps understandably, observers in Bahrain sound sceptical about the new project, casting doubt both on its financing — being arranged by the Royal Bank of Scotland — and on the availability of gas. Alcoa, which is providing the technology, maintains that construction will start next year. If so, the pressure on those at the high cost end of the industry can only intensify.

## LONDON MARKETS

THE ANNOUNCEMENT of a list price rise of 1 cent to 25.50 cents a lb by US lead producer Asarco helped the metal to maintain its recent buoyancy on the London Metal Exchange yesterday. News that Peñarroya of Spain had declared force majeure on shipments because of problems with the new furnace at its smelter in Cartagena also encouraged buyers as the LME cash price gained another £9.50 to £306.50 a tonne, taking the rise on the week so far to £30 a tonne. Coffee futures prices continued to settle back following the recent recovery and the January position closed at £2,252.50, adding £45 to Wednesday's £35 fall. Cocoa values were also lower, reflecting weakness in the New York market and steadier sterling. March cocoa futures ended £18 down on the day at £1,536.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

### ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 820-1 | +5 | 815/814 |
| 3 months | 819-20 | +4.75 | 824/818 |

Official closing (am): Cash 813.5-4.5 (808-8.5), three months 818-8.5 (818-8.5), settlement 814.5 (810.5). Final kerb close: 823-4. Turnover: 17,100 tonnes.

### COPPER

| Grade A | Unoffic'l close | + or — | High/Low |
|---|---|---|---|
| Cash | 923-4 | -2.75 | 923/914 |
| 3 months | 946-6 | -3.75 | 947/939.5 |

Official closing (am): Cash 918.5-9 (925.5-6), three months 939-9.5 (948.5-9), settlement 919 (926). Final kerb close: 946-7.

| Standard | | | |
|---|---|---|---|
| Cash | 897-9 | -4.75 | — |
| 3 months | 922-4 | -5 | — |

Official closing (am): Cash 893-5 (902-2.5), three months 915-7 (925-6), settlement 895 (902.5). US producer prices 62.5/66 cents per pound. Total turnover 24,125 tonnes.

### LEAD

| | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 306-7 | +9.5 | 303/303 |
| 3 months | 306-6.5 | +8.75 | 310/302 |

Official closing (am): Cash 303-3.5 (291-1.5), three months 303-3.5 (293.5-5.75), settlement 303.5 (291.5). Final kerb close: 306-6.5. Turnover 28,950 tonnes. US spot: 24/24.5 cents per pound.

### NICKEL

| | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 2586-90 | -7.5 | — |
| 3 months | 2630-5 | -10 | 2635/2629 |

Official closing (am): Cash 2,570-5 (2585-90), three months 2,620-1 (2635-40), settlement 2,575 (2,590). Final kerb close: 2,630-35. Turnover: 1,146 tonnes.

### TIN

KUALA LUMPUR TIN MARKET: Close 14.09 (14.09) ringgit per kg. Unchanged ringgit per kg.

### ZINC

| High grade | Unofficial close (p.m.) £ per tonne | + or — | High/Low |
|---|---|---|---|
| Cash | 632-3 | +5 | 635/633 |
| 3 months | 621.5-2 | +1 | 624/620 |

Official closing (am): Cash 628-9 (624-5), three months 621.5-2 (619-9.5), settlement 629 (625). Final kerb close: 621-3. Turnover: 8,550 tonnes. US prime western: 44/47.5 cents per pound.

### GOLD

Gold fell $6 an ounce from Wednesday's close in the London bullion market yesterday to finish at $433-433½. The metal opened at $438¾-439½ and traded between a high of $439-439½ and a low of $432-432½. Trading was generally featureless with little renewed interest after the metal's failure to hold above the $440 level.

| GOLD BULLION (fine ounce) | Oct. 9 | |
|---|---|---|
| Close | $433-433½ | (£303¾-304½) |
| Opening | $438¾-439½ | (£308¼-309) |
| M'n'g fix | $436.80 | (£304.969) |
| Aft'n'n fix | $435.75 | (£306.345) |
| GOLD AND PLATINUM COINS | | |
| Kr'g'r'nd | $434-437 | (£305¼-307½) |
| ½ Krug | $227½-229 | (£160-161) |
| ¼ Krug | $115½-116½ | (£81¼-82) |
| 1/10 Krug | $46½-47½ | (£32¾-33½) |
| Mapleleaf | $446-449 | (£313¾-315¾) |
| Angel | $444-448 | (£312½-315¼) |
| 1/10 Angel | $46-51 | (£32¼-35⅜) |
| New Sov | $103-105 | (£72½-73¾) |
| Old Sov | $104-105½ | (£73¼-74¼) |
| $20 Eagle | $480-530 | (£337¾-372¼) |
| Noble Plat | $604½-615¾ | (£425¼-433¼) |

### SILVER

Silver was fixed 1.35p an ounce higher for spot delivery in the London bullion market yesterday at 389.85p. US cent equivalents of the fixing levels were: spot 572c, up 3.75c; three-month 579.95c, up 3.5c; six-month 598.3c, up 3.95c; and 12-month 605.45c, up 3.7c. The metal opened at 402-403p (572-574c) and closed at 395¾-397¼p (564-566c).

| SILVER per troy oz | Bullion Fixing Price | + or — | L.M.E. p.m. Unofficial | + or — |
|---|---|---|---|---|
| Spot | 389.85p | +1.35 | 392.5p | +9 |
| 3 months | 400.15p | +1.15 | 403.5p | +8.7 |
| 6 months | 411.00p | +1.45 | — | |
| 12 months | 432.90p | +1.80 | — | |

LME — Turnover: 32 (2) lots of 10,000 oz. Three months high 411p, low 404p, final kerb 404-5p.

### POTATOES

The market was initially easier, falling £1.70 in thin volume, before recovering during afternoon trade to close slightly up on the day, reports Coley and Harper.

| Month | Yesterdays close | Previous close | Business done |
|---|---|---|---|
| | £ per tonne | | |
| Nov | 108.50 | 108.70 | 108.80-108.50 |
| Feb | 121.90 | 119.00 | 122.00-… |
| April | 164.00 | 165.60 | 167.00-… |
| May | 186.60 | 186.00 | 185.00 |
| Nov | 85.00 | 85.00 | — |

Sales: 541 (880) lots of 40 tonnes.

### REUTERS INDICES

| Oct. 9 | Oct. 8 | M'th ago | Year ago |
|---|---|---|---|
| 1571.7 | 1566.1 | 1497.4 | 1708.6 |

(Base: September 18 1931=100)

### DOW JONES

| Dow Jones | Oct 8 | Oct 7 | M'th ago | Year ago |
|---|---|---|---|---|
| Spot | 123.36 | 123.03 | — | 115.74 |
| Fut | 123.70 | 124.20 | — | 117.08 |

(Base: December 31 1931=100)

### MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| | Oct. 9 1986 | + or — | Month ago |
|---|---|---|---|
| METALS | | | |
| Aluminium | | | |
| Free Market | $1295/285 | +10 | $1325/345 |
| Copper | | | |
| Cash Grade A | £922.5 | -2.75 | £914.5 |
| 3 mths | £945.5 | -3.75 | £952.75 |
| Gold Troy oz | $433.375 | -5 | $403 |
| Lead Cash | £306.5 | +9.5 | £276.5 |
| 3 mths | £306.25 | +8.75 | £282.25 |
| Nickel | | | |
| Free Mkt | 187/197c | | 189/198c |
| Palladium oz | $140.75 | -1.5 | $134.00 |
| Platinum oz | $591.50 | -6.75 | $570.00 |
| Quicksilver† | $160/180 | +20 | $125/135 |
| Silver troy oz | 389.85p | +1.35 | 381.35p |
| 3 mths | 410.15p | +1.15 | 390.45p |
| Tin | | | |
| free mkt | £3854/876 | -5 | £3730/60 |
| Tungsten | $50.08 | | $52.73 |
| Wolfram 22.0lb | $34/44 | | $35/45 |
| Zinc | £632.5 | +5 | £598.5 |
| 3 mths | £521.75 | +1 | £502.5 |
| producers | $920 | | $840/860 |
| OILS | | | |
| Coconut (Phil) | $315x | +25 | $232.5 |
| Palm Malayan | $250v | | $205 |
| SEEDS | | | |
| Copra (Phil) | $190 | +5 | $155 |
| Soyabean (U.S.) | $149y | -1 | $158 |
| GRAINS | | | |
| Barley Fut. Jan. | £110.80 | +0.35 | £107.90 |
| Maize | £145.50 | -5 | £163.00 |
| Wheat Fut. Jan. | £109.00 | -0.10 | £107.85 |
| No. 2 Hard Wint. | ‡ | | ‡ |
| OTHERS | | | |
| Cocoa Ft. Mar. | £1536.5 | -18 | £1687.5 |
| Coffee Ft. Jan. | £2252.5 | -45 | £2392.5 |
| Cotton A Ind.* | 51.35c | +0.45 | 41.50c |
| Gas Oil Dec. | $129.5 | -2.75 | $139 |
| Rubber (kilo) | 67p | +1 | 68p |
| Sugar (raw) | $124.0w | +1 | $126 |
| Wooltops 64s | 405p kilo | +5 | 388p kilo |

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Nov. w Oct-Nov. v Dec. x Jan-Feb.

### COCOA

Futures ended a quiet day near the lows. Some light consumer offtake was apparent but producers remained withdrawn, reports Gill and Duffus.

| COCOA | Yesterday's close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Dec | 1498-1499 | -17.0 | 1514-1497 |
| March | 1536-1537 | -18.0 | 1551-1534 |
| May | 1558-1559 | -15.5 | 1571-1557 |
| July | 1576-1579 | -17.5 | 1589-1578 |
| Sept | 1597-1599 | -14.5 | 1619-1599 |
| Dec | 1619-1621 | -14.5 | 1633-1618 |
| March | 16-461647 | -14.0 | 1658-1647 |

Sales: 2,689 (2,186) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for Oct 9: 93.09 (94.25); five-day average for Oct 10: 95.19 (95.64).

### COFFEE

Further liquidating was evident after a promising opening, reports Drexel Burnham Lambert. The market found good trade buying in the morning but was unable to absorb heavy commission house selling. With the New York market opening weaker than expected, London lost further ground, losing up to £75 from the highs. Industry appeared to prefer to hold back and reports of improved rainfall in Brazil for the weekend was enough to dampen any thoughts of buying.

| COFFEE | Yesterday close | + or — | Business Done |
|---|---|---|---|
| Nov | 2275-2280 | -60.0 | 2380-2275 |
| Jan | 2250-2255 | -45.0 | 2325-2250 |
| Mar | 2170-2180 | -60.0 | 2258-2170 |
| May | 2150-2170 | -47.5 | 2225-2160 |
| July | 2140-2180 | -57.5 | 2220-2140 |
| Sept | 2140-2175 | -55.0 | 2220-2175 |
| Nov | 2140-2170 | -55.0 | — |

Sales: 6,081 (6,167) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 8: Comp. daily 1979 174.00 (177.57) 15-day average 178.81 (179.51).

### SOYABEAN MEAL

| | Y'sterd'ys close | + or — | Business done |
|---|---|---|---|
| | £ per tonne | | |
| October | 154.0-156.0 | -0.50 | — |
| Dec. | 153.0-154.1 | | — |
| Feb. | 155.5-156.2 | -0.65 | — |
| April | 155.0-156.5 | -0.65 | — |
| June | 154.5-155.0 | -0.25 | — |
| August | 152.0-154.0 | -0.25 | — |
| October | 153.5-155.5 | +0.25 | — |

Sales: 0 (106) lots of 20 tonnes.

### GRAINS

Wheat steadied on wheat/barley switch interest then eventually eased on merchant/shipper selling, but found keen commission house buying resistance. Barley was always steady reflecting lack of farm selling and renewed shipper demand for short-term export demand. New crops were again steady on shipper support, reports T. G. Roddick.

| | WHEAT | | BARLEY | |
|---|---|---|---|---|
| Mnth | Yesterday's close | + or — | Yest'rdy's close | + or — |
| Nov | 106.90 | -0.15 | 109.10 | +0.15 |
| Jan | 109.00 | -0.10 | 110.80 | +0.35 |
| Mar | 111.40 | -0.05 | 113.00 | +0.25 |
| May | 114.10 | +0.15 | 114.90 | +0.35 |
| July | 115.65 | +0.35 | — | — |
| Sep | 101.90 | +1.15 | 103.00 | +1.35 |
| Nov | 104.50 | +1.00 | 104.45 | +0.85 |

Business done—Wheat: Nov 107.20-6.90, Jan 109.15-8.95, March 111.60-1.30, May 114.10-3.85, July 115.50 only. Sept 101.95-100.00, Nov 104.00 only. Sales: 459 lots of 100 tonnes. Barley: Nov 109.25-9.00, Jan 110.80-10.70, Mar 113.00 only, May 114.10-3.95, Sept 102.00-1.50. Sales: 102 lots of 100 tonnes.

LONDON GRAINS — Wheat: US dark northern spring no. 1 15 per cent Oct 99.75, Nov 101.25, Dec 102.50. US no. 2 soft red winter Oct 102.25, Nov 104.50, Dec 105.50. English feed fob Oct 110.00, Nov 111.50, Dec 112.50, Jan/Mar 113.50/113.75, Apr/Jun 116.50/117.00 sellers east coast. Maize: US no. 3 yellow/French transhipment east coast Oct 145.50. Barley: English feed fob Oct 112.00 sellers Scotland, Nov 114.00, Dec 115.00, Jan/Mar 116.00 buyer/seller, Apr/Jun 118.75 English & Scottish buyers.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne): Feed barley: S. East 107.70, S. West 108.50, W. Mids 105.70, N. West 105.00. The UK monetary coefficient for the week beginning Monday October 13 is expected to change to 1.253.

### RUBBER

PHYSICALS — The London market opened about unchanged, attracted covering interest throughout the day and closed on a steady note, reports Lewis and Peat. Closing prices (buyers): Spot 67.00 (same). Nov 68.00p (same): Dec 68.00p (same). The Kuala Lumpur fob price (Malaysian cents a kilo): RSS No 1 221.0 (229.5) and SMR 20 209.0 (206.0).

FUTURES — Index 670, Nov 656-666, Dec 656-666, Jan-March 666-676, April-June 677-686, July-Sept 679-690. Sales: nil.

## US MARKETS

NEW YORK gold and platinum futures lost much of their recent strength, with platinum ending just 26 cents off the $25 limit-down mark of $575.3 per ounce in the January position, reports Heinold. Gold similarly came under pressure mid-way through a cautious session, with liquidation pressure accelerated by stops to take values below $430 at one point before the December position finished $9 down on the day at $433 per ounce. Talk of a reconciliatory mood on the Soviet Union's part ahead of the Reykjavik mini-summit was said to be a small factor which undermined some of the recent market confidence, although traders viewed gold's reasonable recovery from its lows as evidence of a longer-term friendliness towards the market. Sugar futures attracted strong buying following steady but cautious trading since Monday.

### NEW YORK

| ALUMINIUM 40,000 lbs, cents/lbs | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 51.60 | — | — | 51.65 |
| Nov | 51.75 | — | — | 51.75 |
| Dec | 52.05 | 52.10 | 52.00 | 52.25 |
| Jan | 52.10 | — | — | 52.30 |
| March | 52.40 | — | — | 52.60 |
| May | 52.65 | — | — | 52.85 |
| July | 52.90 | — | — | 53.10 |
| Sept | 53.10 | — | — | 53.30 |
| Dec | 53.20 | — | — | 53.40 |
| Jan | 53.40 | — | — | 53.60 |

| COCOA 10 tonnes, $/tonnes | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 1923 | 1980 | 1912 | 1970 |
| March | 1965 | 2008 | 1961 | 2000 |
| May | 1994 | 2037 | 1983 | 2030 |
| July | 2015 | 2062 | 2015 | 2052 |
| Sept | 2037 | 2068 | 2068 | 2069 |
| Dec | 2055 | 2081 | 2081 | 2086 |

| COFFEE "C" 37,500 lbs, cents/lb | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 183.76 | 189.50 | 182.25 | 201.33 |
| March | 186.82 | 187.25 | 183.80 | 188.04 |
| May | 185.08 | 185.25 | 181.75 | 185.75 |
| July | 188.45 | 183.60 | 181.95 | 185.95 |
| Sept | 185.13 | 185.00 | 185.00 | 188.00 |
| Dec | 185.50 | — | — | 184.50 |
| March | 186.25 | — | — | 185.25 |

| COPPER 25,000 lbs, cents/lb | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 58.55 | — | — | 58.85 |
| Nov | 58.80 | — | — | 58.95 |
| Dec | 59.10 | 59.35 | 59.00 | 59.40 |
| Jan | 59.30 | — | — | 59.60 |
| March | 59.65 | 59.90 | 59.60 | 59.95 |
| May | 60.10 | 60.35 | 60.25 | 60.40 |
| July | 60.40 | 60.60 | 60.45 | 60.65 |
| Sept | 60.60 | 60.75 | 60.65 | 60.90 |
| Dec | 61.20 | 61.35 | 61.35 | 61.50 |
| Jan | 61.35 | — | — | 61.65 |

| COTTON 50,000 lbs, cents/lb | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 46.27 | 46.50 | 46.50 | 46.55 |
| Dec | 45.95 | 46.72 | 45.50 | 46.75 |
| March | 46.55 | 47.15 | 46.05 | 47.37 |
| May | 46.90 | 47.80 | 46.60 | 47.80 |
| July | 47.35 | 48.27 | 47.31 | 48.40 |
| Oct | 48.62 | — | — | 49.30 |
| Dec | 49.10 | 49.50 | 48.90 | 49.65 |
| March | 50.00 | — | — | 50.25 |

| CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel | Latest | High | Low | Prev |
|---|---|---|---|---|
| Nov | 15.16 | 15.34 | 14.90 | 15.41 |
| Dec | 15.43 | 15.61 | 15.16 | 15.68 |
| Jan | 15.55 | 15.70 | 15.25 | 15.77 |
| Feb | 15.58 | 15.71 | 15.30 | 15.80 |
| March | 15.60 | 15.70 | 15.35 | 15.80 |
| April | 15.60 | 15.71 | 15.40 | 15.80 |
| May | 15.46 | 15.75 | 15.46 | 15.80 |
| June | 15.47 | 15.75 | 15.47 | 15.80 |
| July | 15.46 | 15.75 | 15.75 | 15.90 |

| GOLD 100 troy oz, $/troy oz | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 429.5 | 437.5 | 425.0 | 438.8 |
| Nov | 431.2 | — | — | 440.6 |
| Dec | 433.0 | 441.4 | 428.7 | 442.4 |
| Feb | 436.6 | 445.0 | 432.0 | 446.1 |
| April | 439.9 | 447.5 | 435.0 | 449.4 |
| June | 443.5 | 451.2 | 440.2 | 453.1 |
| Aug | 447.4 | 455.0 | 447.0 | 457.1 |
| Oct | 451.3 | 457.0 | 447.0 | 461.1 |
| Dec | 455.2 | 463.0 | 445.9 | 465.1 |
| Feb | 459.6 | 462.5 | 468.1 | 469.6 |
| April | 464.1 | — | — | 474.2 |
| June | 468.7 | 468.0 | 466.0 | 478.9 |
| Aug | 473.5 | 482.0 | 481.0 | 483.8 |

| HEATING OIL 42,000 US gallons, cents/US gallons | Latest | High | Low | Prev |
|---|---|---|---|---|
| Nov | 41.90 | 42.40 | 40.90 | 42.40 |
| Dec | 43.00 | 43.80 | 42.40 | 43.74 |
| Jan | 44.10 | 44.85 | 43.40 | 44.88 |
| Feb | 44.70 | 45.35 | 44.30 | 45.56 |
| March | 43.70 | 44.35 | 43.45 | 44.56 |
| April | 42.60 | 43.05 | 42.50 | 43.20 |
| May | 41.50 | 42.25 | 41.75 | 42.00 |
| June | 41.50 | 41.65 | 41.50 | 41.65 |
| July | 41.50 | — | — | 41.65 |
| Aug | 42.50 | — | — | 41.90 |

| ORANGE JUICE 15,000 lbs, cents/lbs | Close | High | Low | Prev |
|---|---|---|---|---|
| Nov | 107.45 | 108.90 | 107.00 | 107.80 |
| Jan | 109.90 | 110.30 | 108.80 | 109.50 |
| March | 109.85 | 111.40 | 109.70 | 110.25 |
| May | 110.50 | 112.00 | 110.40 | 111.00 |
| July | 111.30 | 112.25 | 112.25 | 112.30 |
| Sept | 112.30 | 112.60 | 112.30 | 112.80 |
| Nov | 113.30 | — | — | 113.80 |
| Jan | 113.55 | — | — | 113.25 |
| March | 113.75 | — | — | 113.50 |

| PLATINUM 50 troy oz, $/troy oz | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 569.3 | 594.0 | 565.0 | 594.1 |
| Dec | 574.3 | 582.0 | 582.0 | 599.3 |
| Jan | 575.3 | 599.2 | 575.3 | 600.3 |
| April | 578.8 | 601.5 | 579.8 | 604.8 |
| July | 584.8 | 604.0 | 584.8 | 609.8 |
| Oct | 589.3 | — | — | 614.3 |
| Jan | 593.8 | — | — | 618.8 |

| SILVER 5,000 troy oz, cents/troy oz | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 565.0 | 565.0 | 560.0 | 574.9 |
| Nov | 566.8 | — | — | 572.3 |
| Dec | 569.6 | 577.0 | 562.0 | 579.6 |
| Jan | 572.3 | — | — | 582.3 |
| March | 577.5 | 585.0 | 570.0 | 587.6 |
| May | 583.2 | 589.0 | 576.5 | 593.4 |
| July | 589.0 | 594.0 | 586.0 | 599.3 |
| Sept | 595.3 | 593.5 | 590.0 | 605.7 |
| Dec | 605.0 | 614.0 | 601.0 | 615.5 |
| Jan | 608.5 | — | — | 619.1 |

| SUGAR WORLD "11" 112,00 lbs, cents/lb | Close | High | Low | Prev |
|---|---|---|---|---|
| Jan | 6.12 | 6.02 | 5.78 | 5.58 |
| March | 6.72 | 6.76 | 6.32 | 6.23 |
| May | 6.89 | 6.96 | 6.56 | 6.46 |
| July | 7.05 | 7.14 | 6.75 | 6.65 |
| Sept | 7.15 | — | — | 6.73 |
| Oct | 7.30 | 7.36 | 6.96 | 6.89 |
| Jan | 7.63 | — | — | 7.2? |
| March | 7.97 | — | — | 7.5? |

### CHICAGO

| LIVE CATTLE 40,000 lbs, cents/lbs | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 61.40 | 61.52 | 60.80 | 60.37 |
| Dec | 57.12 | 57.20 | 56.45 | 56.20 |
| Feb | 55.85 | 56.00 | 55.57 | 55.35 |
| April | 56.95 | 57.20 | 56.82 | 56.70 |
| June | 56.65 | 56.90 | 56.45 | 56.62 |
| Aug | 55.45 | 55.65 | 55.40 | 55.35 |
| Oct | 54.55 | 54.70 | 54.50 | 54.20 |

| LIVE HOGS 30,000 lbs, cents/lbs | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 53.50 | 53.85 | 53.10 | 52.80 |
| Dec | 51.60 | 51.80 | 50.92 | 51.00 |
| Feb | 49.67 | 49.97 | 49.25 | 49.32 |
| April | 45.50 | 45.72 | 45.12 | 45.15 |
| June | 47.97 | 48.00 | 47.42 | 47.65 |
| July | 47.35 | 47.77 | 47.30 | 47.25 |
| Aug | 45.90 | 46.50 | 45.90 | 45.45 |
| Oct | 43.25 | 43.62 | 42.90 | 43.10 |
| Dec | 43.57 | 43.60 | 43.67 | 43.70 |

| MAIZE 5,000 bu min, cents/56lb bushel | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 165.6 | 167.6 | 165.0 | 165.0 |
| March | 178.4 | 178.2 | 176.0 | 176.0 |
| May | 182.6 | 184.0 | 182.2 | 182.0 |
| July | 185.2 | 186.2 | 184.4 | 185.0 |
| Sept | 185.4 | 186.0 | 185.2 | 185.4 |
| Dec | 190.2 | 190.4 | 189.0 | 190.0 |
| March | 198.0 | 198.0 | 198.0 | 197.0 |

| PORK BELLIES 38,000 lbs, cents/lbs | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 66.17 | 67.50 | 65.25 | 65.70 |
| March | 65.77 | 66.70 | 64.75 | 64.70 |
| May | 65.87 | 66.80 | 64.95 | 65.05 |
| July | 65.05 | 65.70 | 64.30 | 64.22 |
| Aug | 62.37 | 62.95 | 61.90 | 61.57 |

| SOYABEANS 5,000 bu min, cents/60lb bushel | Close | High | Low | Prev |
|---|---|---|---|---|
| Nov | 471.6 | 476.2 | 471.4 | 472.6 |
| Jan | 479.4 | 494.4 | 479.4 | 481.0 |
| March | 488.2 | 492.6 | 488.2 | 489.0 |
| May | 495.6 | — | 495.4 | 497.2 |
| July | 500.0 | 504.2 | 400.0 | 402.0 |
| Aug | 498.2 | 504.4 | 498.0 | 501.0 |
| Sept | 495.0 | 498.0 | 495.0 | 495.4 |
| Nov | 497.0 | — | 496.4 | 497.4 |

| SOYABEAN MEAL 100 tons, $/ton | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 147.1 | 147.6 | 147.0 | 147.1 |
| Dec | 148.4 | 149.0 | 148.3 | 148.5 |
| Jan | 149.6 | 150.2 | 159.6 | 149.6 |
| March | 151.0 | 151.5 | 151.0 | 151.0 |
| May | 152.5 | 152.8 | 152.2 | 152.2 |
| July | 153.3 | 154.0 | 153.3 | 153.8 |
| Aug | 153.5 | 154.0 | 153.6 | 154.0 |
| Sept | 153.0 | 154.0 | 153.0 | 154.7 |

| SOYABEAN OIL 60,000 lbs, cents/lbs | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 13.57 | 13.86 | 13.54 | 13.55 |
| Dec | 14.17 | 14.48 | 14.14 | 14.22 |
| Jan | 14.33 | 14.62 | 14.29 | 14.36 |
| March | 14.66 | 14.92 | 14.61 | 14.68 |
| May | 14.86 | 15.15 | 14.86 | 14.85 |
| July | 15.01 | 15.25 | 15.00 | 15.00 |
| Aug | 15.00 | 15.30 | 15.00 | 15.00 |
| Sept | 15.01 | 15.35 | 15.01 | 15.10 |
| Oct | 5.12 | 15.40 | 15.12 | 15.13 |
| Dec | 15.12 | — | — | 15.12 |

| WHEAT 5,000 bu min, cents/60lb bushel | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 273.4 | 273.6 | 268.4 | 267.2 |
| March | 266.0 | 267.0 | 262.6 | 261.6 |
| May | 251.4 | 253.0 | 250.0 | 248.6 |
| July | 240.0 | 242.2 | 239.4 | 239.0 |
| Sept | 240.4 | 243.4 | 240.4 | 239.0 |
| Dec | 251.4 | — | — | 250.0 |

SPOT PRICES—Chicago loose lard 16.50 (same) cents per pound. Handy and Harman silver bullion 563.5 (575.0) cents per troy ounce.

## MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 93.02p per kg lw (−0.06). GB—Sheep 126.40p per kg est dcw (−0.38). GB—Pigs 77.23p per kg lw (−1.31). GB—AAPP 101.58p per kg dw (−0.44).

## SUGAR

LONDON DAILY PRICE—Raw sugar $124.00 (£87.00), up $1.00 (up £1.00) a tonne for Oct-Nov delivery. White sugar $175.00, up $1.00.

Rumours of new buying by Algeria prompted a strong rally, reports C. Czarnikow.

| No. 6 Contract | Yest'rdy's close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne | | |
| Dec | 154.0-156.0 | 128.2-126.0 | 156.2-125.0 |
| Mar | 149.2-149.4 | 139.8-139.2 | 156.2-138.0 |
| May | 154.4-154.6 | 145.6-145.0 | 155.2-147.4 |
| Aug | 159.4-160.6 | 149.0-150.2 | — |
| Oct | 163.4-164.6 | 155.8-164.2 | — |
| Dec | 169.0-170.6 | 158.0-161.0 | — |

Sales: 4,924 (1,744) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £187.50 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for Oct 8: Daily price 4.84 (4.87); 15-day average 4.73 (4.72).

PARIS—(FFr per tonne): Dec 1175/1178, March 1217/1219, May 1243/1265, Aug 1285/1305, Oct 1322/1335, Dec 1358/1376.

## FREIGHT FUTURES

The market finished on a weak note after failing to rally following rumours of a $7.20 Gulf/Continent fixture, reports Clarkson Wolff.

| | Close | High/Low | Prev. |
|---|---|---|---|
| Dry Cargo | | | |
| Oct. | 777/778 | 780/777 | 782/785 |
| Jan. | 773/775 | 780/775 | 781/783 |
| April | 820/828 | 830 | 830/835 |
| July | 735/740 | — | 737/740 |
| Oct. | 835/840 | — | 840/845 |
| Jan. | 850/855 | 835 | 850/855 |
| Apr. | 955/985 | — | 955/980 |
| July | 840/845 | — | 840/845 |
| BFI. | 792.5 | — | 795 |

Turnover: 178 (57).

| | Close | High/Low | Prev. |
|---|---|---|---|
| Tankers | | | |
| Oct. | 799/814 | 805 | 799/815 |
| Nov. | 870/930 | 920 | 910/930 |
| Dec. | 920/980 | — | 930/950 |
| Mar. | 920/960 | — | 940/955 |
| June | 910/950 | — | 950 |
| BTI. | 786 | — | 789 |

Turnover: 13 (10).

## OIL

Spot crude prices weakened in very thin trade. Some 40 or more North Sea cargoes are reported available in second half of October. November WTI opened 19c down on Nymex, and traded 48c down at 1.30 pm EDT. In the petroleum products market gas oil fell on news of Kuwait's demand for an increased Opec quota. Naphtha fell on supply surpluses. Gasoline was firm on West German buying. Heavy fuel had a weaker undertone—Petroleum Argus, London.

| CRUDE OIL—FOB ($ per barrel)—Nov. | Latest | Change + or — |
|---|---|---|
| Arab Light | — | — |
| Arab Heavy | — | — |
| Dubai | 13.55-13.65 | -0.30 |
| Brent Blend | 14.15-14.25 | -0.45 |
| W.T.I. (1pm est) | 14.85-14.95 | -0.50 |
| Forcados (Nigeria) | — | — |
| Urals (cif NWE) | — | — |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | 162-164 | +1 |
| Gas Oil | 118-120 | -1 |
| Heavy fuel oil | 73-74 | -0.5 |
| Naphtha | 111-113 | -3 |

* November Petroleum Argus estimates.

## GAS OIL FUTURES

| Month | Yest'rdy's close | + or — | Business Done |
|---|---|---|---|
| | US $ per tonne | | |
| Nov | 124.75 | -2.50 | 127.00-24.50 |
| Dec | 129.50 | -2.75 | 132.50-28.25 |
| Jan | 133.50 | -2.50 | 136.00-33.50 |
| Feb | 136.00 | -2.75 | 137.00-35.00 |
| Mar. | 132.50 | -0.75 | 132.50 |
| Apr | 124.00 | -5.50 | 124.00 |

Turnover: 2,318 (4,219) lots of 100 tonnes.

## HEAVY FUEL OIL

| Month | Yest'rdy's close | + or — | Business Done |
|---|---|---|---|
| | US $ per tonne | | |
| Nov | 73.25 | -0.25 | 74.50-73.25 |
| Dec. | 77.00 | +0.50 | — |
| Jan | 79.50 | -0.50 | 79.50 |
| Feb. | — | — | — |

Turnover: 38 (64) lots of 100 tonnes.

## LEADED GASOLINE

| Month | Yest'rdy's close | + or — | Business Done |
|---|---|---|---|
| Nov | 168.00 | +1.00 | — |
| Dec | 168.50 | +1.00 | — |
| Jan | 162.25 | -2.75 | — |
| Feb | 164.00 | -7.00 | — |

Turnover: 0 (17) lots of 100 tonnes.

# CURRENCIES, MONEY & CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling up but below best

STERLING FELL from the day's highs as dealers showed their disappointment in a speech made by Mr Nigel Lawson, UK Chancellor of the Exchequer. The pound's exchange rate index closed at 67.5 up from 67.1 on Wednesday but this was down from a high of 67.8 touched at noon and at the same time above a low of 67.2 reached at 2 pm. Trading conditions during the morning were particularly difficult for although there was little sign of either central bank intervention or any change in market sentiment, dealers were in no position to be running too short ahead of the Chancellor's speech on the outside chance that base rates would be raised or an early entry into the EMS exchange rate mechanism announced.

For this reason and proximity of the weekend as well as closure of Japanese markets today, there was a good deal of short covering during the morning. However, as the chances of corrective action by the authorities faded so sterling was sold off. Mr Lawson stressed that comments concerning the pound and interest rates would be reserved for a major speech on October 16 at the Mansion House. Against this background the pound finished at DM 2.85 from DM 2.8350 against the D-Mark and Y220.25 compared with Y219.0. Elsewhere it finished at SFr 2.3175 from SFr 2.31 and FFr 9.3225 from FFr 9.28. Against the dollar it rose to $1.4215 from $1.4200.

The dollar was slightly firmer overall but was again confined to a narrow range. Dealers remained bearish about the dollar in the absence of any fresh economic data to alter the depressing picture painted by last week's disappointing US unemployment figures. However, there was a general reluctance to mount a campaign to push the dollar significantly lower because of the threat of central bank intervention. The dollar closed at DM 2.0055 up from DM 1.9970 and Y154.90 compared with Y154.25. Elsewhere it finished at SFr 1.63 from SFr 1.6270 and FFr 6.5575 compared with FFr 6.5350. On Bank of England figures, the dollar's exchange rate index rose to 109.6 from 109.5.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9900. September average 2.0486. Exchange rate index 141.8 against 133.5 six months ago.

The D-Mark showed very little change against the dollar in Frankfurt yesterday as the dollar remained in a narrow range. This was restricted on one side by fear of central bank intervention and on the other by the market's generally bearish feel about the dollar. There was no sign of any central bank intervention and earlier in the day the dollar was fixed at DM 1.9995 compared with DM 2.0024 on Wednesday. Trading was largely unaffected by news that the Bundesbank had left interest rates unchanged after its regular fortnightly meeting of the central council. Sterling however eased from mid morning highs following disappointment over Chancellor of the Exchequer Nigel Lawson's Party conference speech. The dollar closed at DM 2.0040 from DM 1.9985.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. September average 154.67. Exchange rate index 215.1 against 193.9 six months ago.

Trading was very quiet and subdued in Tokyo ahead of today's closure for a national holiday. Once again the dollar remained in a narrow range with dealers unwilling to open fresh positions over the long weekend. The dollar closed at Y154.25 compared with Y154.40 in New York and Y154.25 in Tokyo on Wednesday. Sterling's weakness was halted as speculators took profits but its overall tone remained bearish. Elsewhere the D-Mark rose to Y77.23 from Y77.01.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu October 9 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 43.1139 | 43.1939 | +0.19 | +0.95 | ±1.5368 |
| Danish Krone | 7.81701 | 7.84997 | +0.42 | +1.18 | ±1.6403 |
| German D-Mark | 2.11083 | 2.08141 | −1.39 | −0.63 | ±1.1127 |
| French Franc | 6.87316 | 6.81682 | −0.82 | −0.06 | ±1.3699 |
| Dutch Guilder | 2.37833 | 2.35181 | −1.12 | −0.36 | ±1.5059 |
| Irish Punt | 0.764976 | 0.765399 | +0.05 | +0.81 | ±1.6683 |
| Italian Lira | 1476.95 | 1441.10 | −2.43 | −1.97 | ±4.0734 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Oct 9 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.4215-1.4225 | 1.4210-1.4220 |
| 1 month | 0.48-0.46 pm | 0.56-0.54 pm |
| 3 months | 1.52-1.48 pm | 1.78-1.76 pm |
| 12 months | 5.85-5.75 pm | 6.45-6.35 pm |

Forward premiums and discounts apply to the U.S. dollar.

### POUND SPOT—FORWARD AGAINST THE POUND

| Oct. 9 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4180-1.4320 | 1.4210-1.4220 | 0.57-0.54c pm | 4.69 | 1.81-1.76c pm | 5.02 |
| Canada | 1.9700-1.9870 | 1.9705-1.9715 | 0.41-0.30c pm | 2.16 | 1.28-1.13 pm | 2.45 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible].

### STERLING INDEX

| Oct 9 | Latest | Previous |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

### CURRENCY RATES

| Oct. 9 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

* CS/SDR rate for Oct. 8: [illegible]

### CURRENCY MOVEMENTS

| October 9 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

### OTHER CURRENCIES

| Oct. 9 | £ | $ |
|---|---|---|
| [illegible] | [illegible] | [illegible] |
| Iran | 109.25* | 76.00* |
| Kuwait | 0.4160-0.4170 | 0.29280-0.29300 |
| Luxembourg | 59.10-59.20 | 41.55-41.65 |
| Malaysia | 3.7260-3.7340 | 2.6220-2.6240 |
| N. Zealand | 2.7725-2.7825 | 1.9510-1.9570 |
| Saudi Ar. | 5.3300-5.3345 | 3.7495-3.7500 |
| Singapore | 3.0820-3.0885 | 2.1700-2.1705 |
| S. Af. (Cm) | 3.1620-3.1855 | 2.2320-2.2370 |
| S. Af. (Fn) | 6.4615-6.7695 | 4.5455-4.7620 |
| U.A.E. | 5.2205-5.2255 | 3.6725-3.6735 |

* Selling rate.

## FINANCIAL FUTURES

# Sterling contracts firm

STERLING INTEREST rate contracts rose on the London International Financial Futures Exchange yesterday, but trading was nervous and many dealers were unconvinced about the shift in sentiment. One dealer commented that "No one knew what on earth was going on." Long-term gilt futures opened weak at 110-13 for December delivery, but this turned out to be the day's low, and buyers poured into the market at this level. Merrill Lynch was reported to be a seller, but it was said that the US securities house was keeping a fairly low profile, and was finding plenty of buyers. The price moved up as sterling improved on the foreign exchanges, and unsubstantiated rumours circulated of co-ordinated intervention by European central banks to support the pound as well as the dollar. These rumours helped lift the December price to a peak of 111-13, ahead of the speech by Mr Nigel Lawson, Chancellor of the Exchequer, before the Conservative Party conference at Bournemouth.

The speech was considered inconclusive however, and Mr Lawson's failure to provide guidance on the future of sterling or the direction of interest rates—preferring to delay making comment until his speech at the Mansion House later this month—took the price down to 110-20, before further buying was seen. Dealers suggested the renewed demand was probably the result of sterling's recovery, but said that much would depend on interest rates. Speculation the contract could rise to around 113 were based on hopes that the Bank of England could avoid a rise in bank base rates, and this view was reflected by short term rates, although longer term rates continued to point towards a possible rise of up to 2 per cent in base rates. December long gilts closed at 111-11 compared with 110-01 on Wednesday.

December three-month sterling deposit futures, also opened weak at 88.78, and quickly touched a low of 88.75. But in spite of a firming of cash rates in the money market the contract was bought as the pound improved on the foreign exchanges. The contract rose to a high of 89.06 ahead of Mr Lawson's speech, before falling back to 88.85 on disappointment at the lack of information, and closing at 88.95, compared with 88.88 perviously.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls—Last Dec. | Mar. | June | Sept. | Puts—Last Dec. | Mar. | June | Sept. |
|---|---|---|---|---|---|---|---|---|
| 106 | 5.47 | 6.44 | — | — | 0.25 | 1.26 | — | — |
| 108 | 4.09 | 5.21 | — | — | 0.51 | 2.03 | — | — |
| 110 | 2.52 | 4.10 | — | — | 1.30 | 2.56 | — | — |
| 112 | 1.50 | 3.10 | — | — | 2.28 | 3.56 | — | — |
| 114 | 1.05 | 2.22 | — | — | 3.45 | 5.04 | — | — |
| 116 | 0.36 | 1.44 | — | — | 5.14 | 6.26 | — | — |
| 118 | 0.18 | 1.12 | — | — | 6.60 | 7.58 | — | — |
| 120 | 0.08 | 0.53 | — | — | 8.50 | 9.35 | — | — |

Estimated volume total, Calls 798 Puts 326
Previous day's open int, Calls 20,181 Puts 5,784

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls—Last Dec. | Mar. | June | Sept | Puts—Last Dec. | Mar | June | Sept |
|---|---|---|---|---|---|---|---|---|
| 88 | 8.27 | 8.58 | — | — | 0.05 | 1.10 | — | — |
| 90 | 6.35 | 7.08 | — | — | 0.13 | 1.44 | — | — |
| 92 | 4.54 | 5.52 | — | — | 0.32 | 2.24 | — | — |
| 94 | 3.22 | 4.41 | — | — | 1.00 | 3.13 | — | — |
| 96 | 2.10 | 3.42 | — | — | 1.52 | 4.14 | — | — |
| 98 | 1.18 | 2.52 | — | — | 2.60 | 5.24 | — | — |
| 100 | 0.45 | 2.09 | — | — | 4.23 | 6.45 | — | — |
| 102 | 0.22 | 1.37 | — | — | 6.00 | 8.09 | — | — |

Estimated volume total, Calls 11, Puts 15
Previous day's open int, Calls 611 Puts 954

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike Price | Calls—Last Oct. | Nov. | Dec. | Mar. | Puts—Last Oct. | Nov. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.30 | 12.56 | 12.56 | 12.59 | 12.55 | — | 0.01 | 0.13 | 0.89 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike Price | Calls—Last Oct. | Nov. | Dec. | Mar. | Puts—Last Oct. | Nov. | Dec. | Mar. |
|---|---|---|---|---|---|---|---|---|
| 1.35 | — | — | 19.80 | 18.50 | — | — | 1.50 | 2.20 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

[illegible]

### LONDON

20-YEAR 12% NOTIONAL GILT — [illegible]

THREE-MONTH STERLING — [illegible]

U.S. TREASURY BONDS — [illegible]

THREE-MONTH EURODOLLAR — [illegible]

### CHICAGO

U.S. TREASURY BONDS (CBT) 8% — [illegible]

CERT. DEPOSIT (IMM) — [illegible]

THREE-MONTH EURODOLLAR (IMM) — [illegible]

U.S. TREASURY BILLS (IMM) — [illegible]

STANDARD & POORS 500 INDEX (IMM) — [illegible]

### CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE) — [illegible]

IMM—STERLING — [illegible]

LIFFE—STERLING £25,000 $ per £ — [illegible]

### DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

### EURO-CURRENCY INTEREST RATES

| Oct. 9 | Short term | 7 Days' notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long-term Eurodollars: [illegible]. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Oct 9 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| F Fr. | 1.073 | 1.525 | 3.057 | 236.3 | 10 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| S Fr. | 0.431 | 0.613 | 1.230 | 95.04 | 4.023 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| H Fl. | 0.311 | 0.442 | 0.886 | 68.45 | 2.897 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Lira | 0.508 | 0.722 | 1.447 | 111.8 | 4.732 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| C $ | 0.507 | 0.721 | 1.446 | 111.7 | 4.730 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| B Fr. | 1.691 | 2.403 | 4.818 | 372.4 | 15.76 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

## MONEY MARKETS

# London still looks for guidance

INTEREST RATES rose on the London money market yesterday. Rates were firm ahead of the speech by Mr Nigel Lawson, Chancellor of the Exchequer, at the Conservative Party conference, and dealers expressed disappointment that he deferred comment on sterling and interest rates until the Chancellor's annual speech in the City, at the Lord Mayor's banquet later this month.

This left the market confused, and looking for guidance. Three-month interbank rose to 10⁵⁄₁₆-11¹⁄₁₆ per cent from 10¹³⁄₁₆-10¹¹⁄₁₆ per cent. Market nervousness before the Chancellor's speech was illustrated by the spread of rates at the Bank of England's money market intervention, with some discount houses keen to sell bills to the authorities at a rate ⅛ per cent above the established official levels. Dealers commented that although the authorities accepted bills at higher levels it did not indicate an early rise in bank base rates would be acceptable.

**UK clearing bank base lending rate 10 per cent since May 22**

The Bank of England initially forecast a money market shortage of £100m, but revised this to £300m at noon. Help of £280m was provided in the morning, and the authorities did not operate in the market during the afternoon.

Before lunch the Bank of England bought £9m local authority bills in band 2 at 9¹⁵⁄₃₂ per cent; £103m bank bills in band 2 at 9¹⁵⁄₃₂-9¹⁵⁄₃₂ per cent; £10m Treasury bills in band 3 at 9¾ per cent; £19m bank bills in band 3 at 9¾-9⅞ per cent; £8m local authority bills in band 4 at 9¹⁵⁄₁₆ per cent; and £131m bank bills in band 4 at 9¹⁵⁄₁₆-9¹⁵⁄₁₆ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £242m, with a rise in the note circulation absorbing £25m. These factors outweighed Exchequer transactions adding £140m to liquidity and bank balances above target by £30m.

In Tokyo the bank of Japan supplied liquidity of about Y50bn to the money market through purchases of Government bonds. The central bank bought 6.8 per cent 68th and 73rd 10-year bonds and the 6.2 per cent 78th bond. News of the liquidity injection had little impact on the cash and futures market, because of a general underlying shortage of funds, but helped keep alive hopes of a cut in the Bank of Japan's 3.5 per cent discount rate.

### MONEY RATES

NEW YORK (4 pm)

| | | Treasury Bills and Bonds | |
|---|---|---|---|
| Prime rate | [illegible] | One month | [illegible] |
| Broker loan rate | [illegible] | Two month | [illegible] |
| Fed. funds | [illegible] | Three month | [illegible] |
| Fed. funds at intervention | [illegible] | Six month | [illegible] |

| Oct. 9 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Paris | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Zurich | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Amsterdam | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tokyo | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Milan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Brussels | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dublin | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 9) 3 months U.S. dollars — 6 months U.S. dollars — [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### LONDON MONEY RATES

| Oct. 9 | Overnight | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling CDs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Local Authority Deposits | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Local Authority Bonds | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Discount Market Deposits | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Company Deposits | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Finance House Deposits | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Treasury Bills (Buy) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bank Bills (Buy) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Fine Trade Bills (Buy) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dollar CDs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| SDR Linked Deposits | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ECU Linked Deposits | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Treasury Bills (sell): [illegible]



# $ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 8, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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Enquiries: 01-634 4360/5. Dealing 01-236 6381.

ECU=$US1.03991 SDR1=$US1.21445
As of October 8, at 11.00 a.m.

| | 3 months | 6 months |
|---|---|---|
| Eurodollar Libor: | [illegible] | [illegible] |
| Sibor: | [illegible] | [illegible] |

| COUNTRY | CURRENCY | VALUE OF DOLLAR | COUNTRY | CURRENCY | VALUE OF DOLLAR | COUNTRY | CURRENCY | VALUE OF DOLLAR |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

n.a. Not available. [illegible]

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1986 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 99¾ | 94⅞ | Exch. 2½pc 1986 | 99¾ | ..... | 2.52 | 8.72 |
| 102⅞ | 100⅛ | Exch. 13¼pc 1987 | 100⅛ | ..... | 13.18 | 10.71 |
| 100⅞ | 97⅛ | Treas 10¼pc Cv '87 | 99⅞ | +⅛ | 10.28 | 10.90 |
| 98 | 92⅞ | Exch 2½pc 1987 | 97⅞ | ..... | 2.55 | 8.28 |
| 101⅞ | 97½ | Exch. 10½pc 1987 | 99⅞ | +⅛ | 10.54 | 11.18 |
| 98⅝ | 93⅝ | Funding 6½pc 85-87 | 98¼xd | +⅛ | 6.64 | 10.29 |
| 101⅛ | 96⅞ | Treas. 10pc 1987 | 99⅝xd | +⅛ | 10.06 | 10.93 |
| 97⅛ | 90⅞ | Treas 3pc 1987 | 96¼ | +⅛ | 3.11 | 8.17 |
| 104½ | 99¼ | Treas. 12pc 1987 | 101xd | ..... | 11.87 | 11.03 |
| 99¼ | 92⅞ | Treas 7¾pc 1985-88‡‡ | 96⅞ | +⅛ | 8.00 | 10.42 |
| 104 | 96¾ | Exch 10½pc '88 | 99¼xd | +⅛ | 10.57 | 11.10 |
| 102⅞ | 95⅝ | Treas 9¾pc Cv '88 | 98⅛ | +⅛ | 9.94 | 11.01 |
| 94⅛ | 86⅝ | Transport 3pc '78-88 | 92⅝ | +⅛ | 3.24 | 8.34 |
| 102⅞ | 93⅞ | Treas. 9½pc '88 | 97¼xd | +⅛ | 9.77 | 11.13 |
| 107⅛ | 98⅛ | Treas 11½pc 1989 | 100½ | +⅛ | 11.44 | 11.20 |
| 103½ | 93⅝ | Treas 9½pc Cnv 1989 | 96⅞xd | +⅛ | 9.86 | 11.07 |
| 92⅞ | 82⅛ | Treas 3pc 1989 | 87⅝xd | +⅛ | 3.40 | 8.42 |
| 105⅛ | 95⅛ | Treas 10½pc 1989 | 98⅝ | +⅛ | 10.67 | 11.18 |
| 104⅛ | 94⅛ | Exch 10pc 1989 | 97⅛ | +⅛ | 10.31 | 11.18 |
| 107⅛ | 97 | Exch 11pc 1989 | 99⅝ | +⅛ | 11.06 | 11.14 |
| 93⅛ | 84⅞ | Treas 5pc 1986-89 | 88⅛xd | +⅛ | 5.65 | 9.48 |
| 110⅛ | 94⅝ | Exch 10¼pc Cv '89 | 100½xd | +⅛ | 10.20 | 10.08 |
| 114⅛ | 103⅛ | Treas 13pc 1990‡‡ | 104⅞ | +⅛ | 12.43 | 11.15 |
| 108¼ | 97½ | Exch 11pc 1990‡‡ | 99⅝ | +⅛ | 11.06 | 11.10 |

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

## AMERICANS—Cont.

## CANADIANS

## BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS—Cont.

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

## INDUSTRIALS—Continued

| 1986 High | 1986 Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 193 | 129 | Metal Closures | 145 | +2 | 6.7 | 1.0 | 6.5 | (21.6) |
| 102 | 70 | ‡Metsec 10p | 82 | ..... | 12.46 | 2.6 | 4.3 | 12.5 |
| 78½ | 45 | Mitchell Cotts | 51½ | +5 | 1.5 | ♦ | 4.1 | ♦ |
| 124 | 81 | ‡Molas & Crane 10p | 114 | ..... | 12.7 | 2.9 | 3.3 | 13.9 |
| 317 | 210 | Morgan Crucible | 303 | –7 | †8.5 | 1.5 | 4.0 | 19.9 |
| 29½ | 15½ | ‡Morris (W) F.A. 20p | 18½ | ..... | — | — | — | — |
| 152 | 65 | Myson Grp 10p | 137xd | +1 | †2.63 | 2.6 | 2.7 | 17.7 |
| 365 | 230 | ‡NMW Computers | 268 | –3 | †6.0 | 3.0 | 3.3 | 14.8 |
| 66 | 27 | Nash Inds | 65 | ..... | †0.5 | — | 1.1 | — |
| *27½ | 15½ | Neil & Spencer 10p | 16½ | –1 | ♦ | — | — | — |
| 39 | 28 | Newman Inds 10p | 32 | ..... | †0.8 | 1.5 | 3.5 | (24.5) |
| 134 | 65 | Noble & Lund 10p | 116xd | ..... | 0.7 | 4.3 | 0.8 | 38.2 |
| 65 | 39 | Norton | 58 | ..... | †0.95 | 7.0 | 2.7 | 7.1 |
| 150 | 96 | ‡Norank Systems 5p | 145 | –1 | m1.5 | — | 1.5 | 18.6 |
| 286 | 187 | Norcros | 224 | +1 | 9.3 | 2.2 | 5.8 | 10.7 |
| 180 | 49 | Nu-Swift 5p | 151 | ..... | 3.5 | 2.1 | 3.3 | 20.3 |
| £350½ | £220 | OCE 9pc Cnv 1987-92 | £354½ | –2 | Q7% | — | (2.6 | — |
| 118 | 80 | Oakwood Grp | 90 | ..... | ‡5.0 | 1.3 | ‡ | 12.5 |
| 250 | 185 | Office & Elect | 188 | ..... | 8.5 | 2.9 | 6.5 | 7.5 |
| 183 | 70 | Oldham 20p | 176 | ..... | ♦5.0 | ♦ | 4.1 | ♦ |
| 34 | 26 | ‡Omnitech 1p | 27 | ..... | — | — | — | — |
| 36 | 22 | ‡Optometrics $0.01 | 26 | ..... | — | — | — | — |
| 890 | 580 | Oriflame £1 | 870xd | ..... | †24.5 | 2.1 | 4.0 | 16.9 |
| 10 | 5 | Overstone 12½p | 9 | ..... | g0.23c | 1.9 | 21.1 | 4.7 |
| 142 | 85 | ‡PCT Grp 10p | 138 | ..... | 43.2 | — | 5.6 | — |
| £20½ | £13½ | PLM 'B' Sk 25 | £18 | ..... | Q23.2% | 0.3 | 3.4 | — |
| 195 | 134 | PSM Intl | 180xd | ..... | [illegible] | 2.1 | 4.2 | 14.0 |
| 255 | 167 | ‡Pacer Systems $0.01 | 170 | ..... | [illegible] | 3.4 | 1.6 | 18.9 |
| 78 | 53 | ‡Pacific Sales 10p | 53 | ..... | 3.0 | ♦ | 8.0 | ♦ |
| 445 | 246 | Parker Knoll 'A' | 399xd | ..... | 12.0 | 3.2 | 4.2 | 10.5 |
| 222 | 83 | ‡Parkfield Group 2p | 175 | +8 | 3.6 | 4.2 | 2.9 | 11.0 |
| 53 | 17 | ‡Parion Intl | 18 | ..... | — | — | — | 4.8 |
| £130 | £69½ | Do 11pc CnLn '94-02 | £69½ | ..... | Q11% | — | 0.2 | — |
| 608 | 393 | Pearson | 538 | +5 | †10.0 | 2.8 | 2.6 | 17.5 |
| [illegible] | | | | | | | | |

## INSURANCES

[illegible]

## LEISURE

[illegible]

## LEISURE—Continued

| 1986 High | 1986 Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 400 | 263 | LWT | 400 | +2 | †14.4 | 1.8 | 5.1 | 15.1 |
| 187 | 137 | Lee International 10p | 164xd | –1 | L3.8 | 2.7 | 3.3 | 15.7 |
| 52 | 32 | ‡Leisure Inv 10p | 51 | ..... | — | — | — | 24.9 |
| *112 | 58 | Leisuretime Int 10p | 86xd | ..... | †2.3 | ♦ | 3.8 | ♦ |
| 117 | 100 | [illegible] | 105 | ..... | †2.63 | 3.3 | 3.5 | 12.1 |
| 98 | 85 | ‡Marina Dev. 50p | 83 | ..... | R3.13 | 3.0 | 5.3 | 8.0 |
| 220 | 125 | ‡Media Tech Int 20p | 133 | –2 | 2.8 | ♦ | 3.0 | ♦ |
| *170 | 130 | Meminster 10p | 145 | ..... | †5.35 | 2.7 | 5.2 | 10.2 |
| 220 | 130 | ‡Miss World 10p | 203 | ..... | †5.2 | 3.3 | 3.6 | 11.7 |
| 90 | 62 | Nationwide Leisure | 69 | –1 | (3.75 | 2.5 | 7.7 | (9.1) |
| 17 | 10 | ‡Nimslo Int 20c | 15 | +1 | — | — | — | — |
| 35½ | 23 | ‡Owners Abroad 3p | 35½ | +½ | 1.5 | 2.3 | 5.9 | 10.2 |
| 90 | 46 | Photax (Lon.) | 43 | ..... | — | — | — | — |
| 34 | 28 | ‡P'dilly Radio NV 5p | 28 | ..... | 2.0 | 1.2 | 10.1 | 11.9 |
| 76 | 25½ | ‡Pineapple 10p | 76 | ..... | — | — | — | — |
| 391 | 280 | Pleasurama 5p | 311 | –2 | †7.5 | 3.6 | 3.4 | 11.6 |
| 178 | 136 | Do. 7pcCnCumRedPf | 142 | –1 | 7% | — | 6.9 | — |
| 157 | 94 | Prestwich | 108 | +2 | †hd0.35 | 7.8 | 0.5 | 21.2 |
| 45 | 18 | ‡Radio City 'A' NV | 30 | –4 | — | — | — | — |
| 53 | 33 | ‡Radio Clyde NV | 53 | ..... | 3.25 | 0.9 | 8.6 | 17.2 |
| 403 | 322 | Really Useful Grp 5p | 396 | +3 | h11.25 | 2.2 | 4.0 | 16.3 |
| 69 | 39 | Riley Leisure 10p | 42 | +2 | — | — | — | — |
| 238 | 130 | Saga Hols. 20p | 231 | ..... | 4.6 | 2.6 | 4.9 | 11.1 |
| 335 | 152 | Samuelson Grp 20p | 152 | ..... | 2.4 | 6.5 | 2.2 | 9.0 |
| 125 | 73 | [illegible] Photo 10p | 87 | +5 | ♦2.2 | 1.5 | 3.6 | 26.5 |
| 178 | 110 | ‡Scanro 50p | 110 | –5 | 4.0 | 3.5 | 5.1 | 7.9 |
| 340 | 175 | Scott. TV 10p | 335 | ..... | †10.5 | 3.3 | 4.5 | 9.5 |
| 294 | 114 | SeaCo Inc $0.125 | 192 | +8 | — | — | — | — |
| 27 | 7 | ‡SelecTV 10p | 18 | ..... | — | — | — | — |
| 37 | 20 | ‡Spectrum 5p | 27 | ..... | †1.2 | 4.8 | ‡ | 2.8 |
| 143 | 119 | Stanley Leisure | 145 | ..... | c3.25 | 2.8 | 3.2 | 15.9 |
| 46 | 31 | TSW 5p | 46 | +½ | 2.05 | ♦ | 6.2 | ♦ |
| 193 | 137 | ‡TV-am 10p | 193 | +17 | R5.75 | 2.6 | 4.2 | 12.9 |
| *279 | 144 | TVS N/Vtg 10p | 255 | ..... | M10.0 | 2.5 | 6.0 | 12.3 |
| [illegible] | | | | | | | | |

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc

[illegible]

## FINANCE, LAND—Cont.

[illegible]

## OIL AND GAS

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

## MINES—Continued

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

### Miscellaneous

[illegible]

## NOTES

[illegible]

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

"Recent Issues" and "Rights" Page 43 (International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

Account Dealing Dates

| Option *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Sept 29 | Oct 9 | Oct 10 | Oct 20 |
| Oct 11 | Oct 23 | Oct 24 | Nov 3 |
| Oct 27 | Nov 6 | Nov 7 | Nov 17 |

*"New time" dealings may take place from 9.30 am two business days earlier.

# Steadier pound backs widespread improvement in bonds and international stocks

London's financial markets turned sharply higher yesterday, when optimism regarding the meeting of OPEC ministers outweighed any disappointment at the absence of any reference either to sterling or domestic interest rates from the speech by the Chancellor of the Exchequer to the Conservative Party Conference.

Buoyed by an improvement in the pound, which would benefit quickly if OPEC succeeds in holding oil prices firm, Government bonds gained as much as 1½ points. Some near-dated issues softened, however, reflecting a three month interbank rate of 11 per cent. The Financial Times Government Securities index edged up by 0.72 to 83.21.

The stock market advanced sharply, although turnover remained unexciting and traders were hard put to explain some of the price movements. The FT-SE 100 index jumped 20.8 to 1608.6, and the FT Ordinary Share index by 20.0 to 1268.1.

Oil stocks again provided the lead for the market. BP and Britoil both performed well, with shortage of stock beginning to show itself. Shell shares narrowed the discount at which they have been trading against Royal Dutch stock in Amsterdam. But oil stocks closed below their best levels, and proved unable to break out of the trading range of the past wey weeks.

The same applied to the other international stocks which did, however, outperform the rest of the market. Saatchi and Saatchi continued their recovery from the selling bout that hit them a fortnight ago.British Aerospace and Hawker attracted good support.

The domestic banking stocks were in good form. Firmness in this sector augurs well for today's public launch of Trustee Savings Bank (TSB). Dealers will be allowed into the Stock Exchange 10 minutes early this morning, to brace themselves for what is certain to be a frenzied opening in TSB stock.

With the issue largely in the hands of the smaller private investor, the institutions may have to bid hard for stocks in the marketplace. Seventeen trading firms are expected to make markets in TSB stock today.

Elsewhere, takeover issues continued to attract the speculators. Standard Chartered surged ahead as it was confirmed that Mr Holmes à Court's Bell Resources has increased its stake. Consgold was another to foreg ahead once again.

## Clearers revive

Forecasts that TSB shares could open at a 40p-plus premium today—Cleveland Securities were quoting 91p bid and 96p offer in the grey market late yesterday—induced revived demand for the major clearing banks. NatWest led the way with a rise of 13 at 522p and Midland added 10 at 547p. Lloyds, unsettled of late by the acquisition of Continental Bank of Canada, recovered 10 at 422p, after 424p, while Barclays closed the session also 10 higher at 474p. Bank of Scotland, at 439p, and Royal Bank of Scotland, at 334p, improved 7 and 6 respectively, in sympathy. Elsewhere, Standard Chartered, after Wednesday's teatime raid when Robert Holmes à Court acquired a further 2 per cent of the group's shares to increase his shareholding to just over 10 per cent, encountered a calmer trade, but continued to attract buyers and closed a further 9 better making a two-day gain of 50 at 749p. Among Hire Purchases, Woodchester, now part of the British and Commonwealth Group, jumped 60 to 375p after speculative demand in a thin market.

Lloyds Broker C. E. Heath advanced 19 more making a two-day jump of 41 at 490p as the market awaited the outcome of the merger discussions currently taking place with Fielding Insurance, a subsidiary of Hambros. Others in the sector made good progress on currency considerations. Willis Faber rose 17 to 489p and Stewart Wrightson gained 15 at 489p. Minet added 14 at 252p and Hogg Robinson appreciated 9 at 346p. Royals rose 13 to 792p among firm Composites.

Leading Buildings reflected the firmer trend. Blue Circle rose 8 to 561p following an analysts' meeting in the US, but Redland, awaiting news of the US presentation, were only a penny dearer at 380p. BPB Industries firmed 5 to 456p. Brick concern Ibstock Johnsen found support following Press speculation about a possible bid from Steetley and gained 10 to 182p. Tilbury Group were marked up to 170p before closing 11 higher on balance at 166p amid vague rumours of a bid from Raine Industries. Ruberoid added 3 to 291p in reply to the higher interim profits, while Attwoods continued to respond to the preliminary trading statement and firmed 4 more to 215p. Light support left John Laing 5 to 348p and Taylor Woodrow 8 to 281p.

## Ward White volatile

Early interest among retailers centred on Mr Phillip Birch's Ward White which dipped to 320p before settling 8 lower on balance at 326p amid strong rumours that the company was again about to embark on the acquisition trail; Wedgwood was believed to have come under consideration, but later thoughts suggested LCP as a more likely target. The latter firmed a few pence to 137p. Austin Reed announced increased interim profits and dividend and hardened 4 to 150p, while buyers also returned for Lee Cooper which improved 9 to 240p ahead of next Friday's half-timer. Alexon, scheduled to reveal first-half figures next month, responded to fresh speculative demand and put on 9 to 198p.

The proposed launch by British Telecom of a sophisticated new car telephone, called Topaz, which reacts to the spoken word and dials automatically caught the imagination and shares of BT rose to 192p before closing 8 higher on balance at 190p. Cable and Wireless, still reflecting its participation in a consortium currently examining the feasibility of establishing an alternative international telecommunication system for Japan, advanced 11 more for a rise of 35 so far on the week to 322p. Racal found renewed support at 156p, up 8, while STC, recently favoured on takeover hopes, received an additional boost by news of an order from BT and firmed 4 more to 158p. BICC gained 5 at 250p and GEC put on 4 at 174p. Elsewhere, D. J. Security Alarms rose 7 to 111p, after 120p, on revived bid speculation. Recovery hopes in the wake of the disappointing interim figures helped Telephone Rentals retrieve 13, at 186p.

Engineers contributed to the buoyant trend. Hawker rebounded 12 to 445p; the interim results are scheduled for October 22. Delta advanced 8 to 170p to the accompaniment of takeover chatter. Babcock International moved up a few pence more at 175p, Carclo put on 10 at 470p and Simon added 7 at 232p.

Cadbury Schweppes attracted strong support on a combination of US bid hopes and vague talk of a possible merger with United Biscuits, to close 7 higher at 185p: UB touched 236p prior to closing a net 6 up at 234p. S. & W. Berisford revived strongly and put on 8 to 264p on hopes that the OFT will give Tate and Lyle the go-ahead to bid for the company in about a month's time. Hillsdown Holdings hardened a few pence to 291p and Northern Foods continued to trade firmly in the wake of an analyst's meeting and added 2 more to 282p. Although still sensitive to the possibility of dearer money.

Takeover speculation continued to boost Grand Metropolitan which moved up to 455p before closing 7 higher at 450p. Ladbroke, however, drifted off to close 5 cheaper at 346p.

Pilkington fared the best among the firm miscellaneous industrial leaders, rising 14 to 460p on institutional support and rumours of a broker's upgraded profits forecast. Unilever, after Wood Mackenzie's profits upgrading, rose ⅛ at £19, while Glaxo touched 955p before closing a couple of pence dearer at 947p; the latter's interim results are scheduled for next week. Press comment on the recent Airbus Industrie/Northwest Airlines airbus deal induced renewed demand for British Aerospace which closed 12 higher at 480p. Elsewhere, Hestair reflected rumours of a possible bid from Blue Arrow and closed 10 higher at 171p. Blue Arrow, meanwhile, fell 7 to 371p following news of the rights issue called to help finance the acquisition of Temporaries, a Washington based US company for £22m. Speculative buying lifted Dwek 7 to 125p and Parkfield 8 to 173p, while Cannon Street Investments improved 5 at 155p. Wedgwood, up 145 the previous day following the agreed bid from Waterford Glass, touched 575p in the early trade amid vague rumours of a counter bid from Ward White before reacting to 525p on profit-taking and closing a volatile session, 32 lower on balance at 536p.

Television issues moved ahead strongly owing to a squeeze on bear positions. TV-am were a very strong market and rose 17 to 193p ahead of next Tuesday's annual results, while Central TV moved up 8 to 353p and Thames TV 7 to 270p. Yorkshire were a couple of pence better at 146p Campari added a penny to 57p, after 60p, as the company reported substantially reduced losses.

Lucas Industries, after a prolonged lean spell, rallied well on a combination of bear-covering and genuine investment support to close 25 higher at 508p. The upturn was sparked off by the surprise decision by shop stewards at Lucas Electrical to reverse their stance and urge workers to lift the sanctions which have halted car production at Austin Rover. Earlier in the week the latter group threatened to find an alternative supplier unless the dispute was resolved soon. Currency influences encouraged light demand for Jaguar, 2 up at 538p, while revived buying, some for the Account starting on Monday, took British Car Auction 6 higher to 142p. News of the sale of a 2½-acre site at Cheadle for £0.75m lifted H. and J. Quick 4 to 96p.

McCorquodale holders waiting for the appearance of a white knight were disappointed following news that talks with a third party had been terminated. This left the final offer from Norton Opax the only one on the table. McCorquodale also announced a sharply higher profits and dividend forecast for the current year but the price still fell 7 to 283p, while Norton Opax fell 7 to 133p. Extel, assumed by may to be the third party, jumped 20 to 348p while BPCC remained at 260p. USM-listed Musterlin improved to 162p after encouraging first-half results before easing back to the overnight level of 159p. Trinity International, which released interim figures late last month, attracted small support and rose 12 to 448p, but Advertising Agencies made only a half-hearted response to comment on the sector. Saatchi and Saatchi gained 10 more to 630p and beleaguered Charles Barker managed a rally of 2 to 108p.

The Property majors, firm on Wednesday following a favourable Press article, generally settled a few pence easier in the absence of further buying interest. MEPC softened 3 to 320p, while Hammerson A slipped 5 to 400p. Land Securities, however, were steady at 313p. Brixton Estate attracted fresh support on suggestions of a merger with Arlington Securities and gained 7 to 176p a two-day rise of 16. Arlington, which rose 13 on Wednesday, held at 188p.

Speculative movements in the Shipping sector included Milford Docks, which raced up 9 in a thin market to close at 61p, after 65p, and Common Bros, 1½ harder at 16½p on light demand.

Textiles were one of the more active sectors and Courtaulds climbed 7 further to 284p, while Allied rose 30 to 280p and Leeds advanced 8 to 201p.

Financial Trusts were strewn with features, Mercantile House rising 8 to 267p and MAI a like amount to 365p. The possibility of new developments shortly aided Exco, 5 higher at 243p, while London Merchant Securities gained 4 to 65p as a market maker gave up trading in the stock, reducing the number to two. Against the trend, Antofagasta slipped 7 to 130p.

## Oils good

Increasing optimism about a successful outcome to the OPEC meeting currently underway in Geneva saw oil shares forge ahead before late profit-taking left prices below the best. Nevertheless, Shell still showed a gain of 13 at 938p, while British Petroleum settled 5 higher at 696p, after 708p. Britoil were again in demand and touched 146p prior to closing a net 7 up at 140p. Enterprise were finally 6 dearer at 149p and Ultramar 9 to the good at 170p. Takeover favourite IC Gas advanced to 508p before closing 12 higher at 508p, while British Borneo came to life with a flourish and jumped 27 to 413p. Elsewhere, Silkolene Lubricants, which fell 11 on Wednesday following poor half-year results, rallied strongly to close 18 higher at 141p. Petrocon shed 3 to 57p on the proposed £2.35m rights issue. Dealings in North Sea and General Oil Investments were temporarily suspended at 23p at the company's request; the directors have agreed to acquire a 43 per cent stake in Indian Ocean Resources from Oceanic Equity of Perth, Western Australia; the consideration for the IOR shares will be the issue of approximately 40m new NSG shares.

Lonrho were the chief attraction among Overseas Traders and, following good support, ended 9 dearer at 231p. James Finlay put on 2 to 33p which gave rise to thoughts that the poor interim profits announced yesterday must have been discounted.

Plantations provided highlights, Grand Central, 83p, Consolidated, 76p, and Harrisons Malaysian, 95p, all gaining around 4.

London-domiciled Financials returned to centre-stage among otherwise subdued mining markets. Both Consolidated Gold Fields and Rio Tinto-Zinc made further substantial progress reflecting revived takeover speculation which was again fuelled by persistent traded option business. Consgold attained a new peak of 665p—a gain of 25 on the session and 71 so far this week—although dealers continued to express scepticism over recent talk that Mr Harry Oppenheimer intends to increase his 28 per cent stake.

The forthcoming closing of the Cape for today's Kruger Day national holiday again precluded domestic and international interest in South African Golds. Prices drifted gently lower in extremely thin trading and although a slightly firmer bias was discernible from New York later in the day, heavyweights still displayed modest losses. The FT Gold Mines index eased 1.4 to 332.1.

Leading Australian resource stocks encountered scattered profit-taking in overnight Sydney and Melbourne, while investors there diverted their attentions to industrial counters. London tended to follow suit, but selected Golds continued to display noteworthy gains. Central Norseman featured with a rise of 25 to 768p, while Poseidon rallied 7 to 215p. Australian Consolidated Minerals were marked 11 higher to 212p

## Traded Options

Lively conditions prevailed in Traded Options with dealers reporting often sizable interest throughout the list. Total contracts struck amounted to 30,153—the highest since the all-time peak was established on September 12. Current high-fliers Grand Metropolitan, Consolidated Gold Fields and RTZ all figured prominently. Interest also revived for Lonrho and BT which attracted 2,552 and 2,467 calls respectively. The FT-SE 100 index attracted 1,520 calls and 1,179 puts. Dealers expect volume records to be broken today as traded options in TSB are introduced on the January-April-July-October cycle.

## Traditional Options

- First dealings Oct 6 Oct 20 Nov 3
- Last dealings Oct 17 Oct 31 Nov 14
- Last declaration Jan 8 Jan 22 Feb 5
- For Settlement Jan 19 Feb 2 Feb 16

*For rate indications see end of Unit Trust Service*

Declaration day saw call options struck in Bestwood, Sandell Perkins, Portman Mining, Kia Ora, United Goldfields, Charterhall, William Boulton, G. M. Firth, Ashton Mining, Ashley Industrial Trust, Guinness Peat, Mitchell Cotts, Standard Chartered, Hanson Trust and Atlantic Computers. No puts or doubles were reported.

## FINANCIAL TIMES STOCK INDICES

| | Oct. 9 | Oct. 8 | Oct. 7 | Oct. 6 | Oct. 3 | year ago | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 83.21 | 82.49 | 82.98 | 82.74 | 82.75 | 84.10 | 94.51 (18/4) | 80.39 (20/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 89.70 | 89.56 | 89.69 | 90.00 | 89.98 | 90.06 | 97.68 (7/7) | 86.55 (21/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1,268.1 | 1,248.1 | 1,257.3 | 1,251.2 | 1,254.0 | 1,017.8 | 1,425.9 (3/4) | 1,094.3 (14/1) | 1,425.9 (3/4/86) | 49.4 (26/6/40) |
| Gold Mines | 332.1 | 333.5 | 329.4 | 316.2 | 328.6 | 290.2 | 357.8 (22/9) | 185.7 (18/7) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.39 | 4.45 | 4.42 | 4.44 | 4.49 | 4.67 | | | | |
| Earnings Yld.%(full) | 10.07 | 10.23 | 10.14 | 10.18 | 10.30 | 11.44 | | | | |
| P/E Ratio (net) (*) | 12.18 | 11.99 | 12.09 | 12.04 | 11.91 | 10.82 | | | | |
| Total Bargains (Est) | 22,470 | 22,648 | 21,982 | 20,940 | 22,126 | 21,837 | | | | |
| Equity Turnover £m. | — | 532.27 | 469.39 | 487.86 | 445.02 | 467.02 | | | | |
| Equity Bargains | — | 19,700 | 17,218 | 18,004 | 17,308 | 21,202 | | | | |
| Shares Traded (ml). | — | 236.5 | 214.2 | 242.2 | 212.7 | 246.3 | | | | |

S.E. ACTIVITY

| Indices | Oct. 8 | Oct. 7 |
|---|---|---|
| Gilt Edged Bargains | 119.8 | 113.1 |
| Equity Bargains | 127.6 | 111.6 |
| Equity Value | 1075.8 | 983.8 |
| 5-Day Average | | |
| Gilt Edged Bargains | 120.2 | 125.2 |
| Equity Bargains | 117.9 | 115.3 |
| Equity Value | 996.8 | 1007.7 |

| ♥ Opening | 10 a.m. | 11 a.m. | Noon | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1251.5 | 1258.0 | 1264.3 | 1267.0 | 1268.3 | 1269.1 | 1268.6 | 1267.7 |

Day's High 1269.5. Day's Low 1251.5.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.69. †Correction.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

| Stock | Closing price | Day's change | Stock | Closing price | Day's change |
|---|---|---|---|---|---|
| Amstrad | 125 | — | Grand Metropolitan | 450 | +7 |
| Brit. Aerospace | 480 | +12 | Parkdale | 90 | +2 |
| BP | 696 | +5 | RTZ | 717 | +25 |
| Commercial Union | 282 | +5 | Utd. Biscuits | 234 | +6 |
| Cons. Gold Fields | 662 | +25 | Waterford Glass | 118 | -3 |
| DJ Security Alarms | 111 | +7 | Wedgwood | 536 | -32 |

## WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

| Stock | No. of changes | Wed. close | Day's change | Stock | No. of changes | Wed. close | Day's change |
|---|---|---|---|---|---|---|---|
| Wedgwood | 35 | 568 | +145 | Grand Met. | 13 | 443 | — |
| Cons. Gold Fields | 18 | 637 | +15 | Jaguar | 13 | 536 | -5 |
| Heath (C. E.) | 15 | 471 | +22 | Morgan Crucible | 13 | 310 | +47 |
| ICI | 14 | £11 | [illegible] | Pilkington Bros | 13 | [illegible] | +6 |
| Glaxo | 14 | 945 | -2 | STC | 13 | 154 | +8 |
| Morgan Grenfell | 14 | 373 | -7 | Gilbert House | 12 | 64½ | +0½ |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 105 | 0 | 7 |
| Corporations, Dom. and Foreign Bonds | 12 | 16 | 40 |
| Industrials | 415 | 192 | 921 |
| Financial & Properties | 202 | 51 | 326 |
| Oils | 56 | 8 | 48 |
| Plantations | 5 | 0 | 9 |
| Mines | 52 | 44 | 88 |
| Others | 98 | 39 | 59 |
| Totals | 945 | 350 | 1,498 |

## NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (114)

AMERICANS (7), CANADIANS (9), BANKS (3), BUILDINGS (4), CHEMICALS (4), STORES (3), ELECTRICALS (2), ENGINEERING (1), FOODS (1), HOTELS (3), INDUSTRIALS (18), INSURANCE (2), LEISURE (5), MOTORS (1), NEWSPAPERS (2), PROPERTY (7), SHIPPING (2), TEXTILES (1), TRUSTS (15), OILS (1), OVERSEAS TRADERS (2), PLANTATIONS (4), MINES (19).

NEW LOWS (15)

INTERNATIONAL BANK & O'SEAS GOVT. STLG. ISSUES (1) Malaysia 10¼pc Ln 2004. CHEMICALS (2) Morclan, STORES (1) [illegible], ELECTRICALS (2) Micro Scope, United Leasing, ENGINEERING (2) Renold, Tace, NEWSPAPERS (1) [illegible], PAPER (1) [illegible], PROPERTY (1) [illegible], SHIPPING (2) [illegible], TRUSTS (1) [illegible], OILS (2) ERC, Petrocon.

## FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

| | Equity groups & sub-sections | Thursday October 9 1986 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Wed Oct 8 Index No. | Tues Oct 7 Index No. | Mon Oct 6 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (211) | 659.81 | +1.2 | 9.27 | 3.86 | 13.70 | 13.91 | 652.08 | 653.86 | 650.91 | 528.30 |
| 2 | Building Materials (27) | 753.95 | +0.9 | 9.63 | 3.89 | 13.10 | 16.34 | 747.10 | 748.56 | 742.91 | 562.94 |
| 3 | Contracting, Construction (30) | 1134.72 | +0.7 | 7.87 | 4.10 | 17.40 | 26.43 | 1126.34 | 1135.99 | 1124.80 | 883.79 |
| 4 | Electricals (12) | 1717.48 | +0.9 | 8.44 | 4.87 | 15.57 | 40.67 | 1702.56 | 1692.09 | 1691.06 | 1494.44 |
| 5 | Electronics (38) | 1433.09 | +1.9 | 9.75 | 2.80 | 13.46 | 28.50 | 1425.53 | 1424.23 | 1421.48 | 1261.99 |
| 6 | Mechanical Engineering (60) | 343.59 | +1.4 | 10.88 | 4.53 | 11.73 | 9.42 | 358.48 | 360.14 | 360.16 | 310.09 |
| 8 | Metals and Metal Forming (7) | 325.69 | +1.4 | 9.90 | 4.30 | 12.79 | 7.17 | 325.41 | 326.38 | 327.08 | 209.29 |
| 9 | Motors (16) | 270.94 | +1.4 | 9.68 | 3.79 | 13.05 | 6.53 | 267.24 | 269.56 | 269.82 | 180.85 |
| 10 | Other Industrial Materials (21) | 1229.35 | +0.7 | 7.36 | 4.36 | 16.12 | 28.41 | 1220.26 | 1224.89 | 1210.77 | 981.53 |
| 21 | CONSUMER GROUP (185) | 913.37 | +0.5 | 8.06 | 3.36 | 15.57 | 16.00 | 906.63 | 913.49 | 906.68 | 790.19 |
| 22 | Brewers and Distillers (22) | 919.10 | +0.6 | 9.35 | 3.49 | 12.87 | 16.96 | 913.91 | 915.46 | 905.60 | 738.83 |
| 25 | Food Manufacturing (24) | 697.01 | +1.1 | 9.68 | 3.92 | 13.45 | 14.13 | 689.59 | 691.11 | 681.76 | 500.53 |
| 26 | Food Retailing (16) | 1886.24 | +0.8 | 6.19 | 2.74 | 22.47 | 29.71 | 1871.29 | 1902.83 | 1881.08 | 1655.67 |
| 27 | Health and Household Products (10) | 1505.31 | +0.4 | 5.66 | 2.32 | 20.89 | 12.84 | 1499.13 | 1506.06 | 1509.53 | 1059.58 |
| 29 | Leisure (27) | 904.20 | +0.2 | 8.24 | 4.49 | 16.09 | 24.68 | 902.49 | 905.15 | 901.80 | 685.39 |
| 31 | Publishing & Printing (15) | 2525.83 | — | 7.50 | 4.36 | 17.76 | 55.62 | 2526.53 | 2541.08 | 2535.58 | 1869.66 |
| 32 | Packaging and Paper (14) | 452.92 | +0.4 | 7.42 | 3.63 | 17.51 | 10.09 | 450.97 | 452.31 | 449.74 | 362.72 |
| 34 | Stores (38) | 828.51 | +0.2 | 7.07 | 3.11 | 19.17 | 11.76 | 826.97 | 837.92 | 833.44 | 722.57 |
| 35 | Textiles (17) | 522.07 | +1.5 | 9.79 | 3.78 | 11.82 | 9.64 | 514.20 | 518.71 | 518.30 | 332.79 |
| 36 | Tobaccos (2) | 1251.75 | +0.4 | 13.23 | 4.13 | 8.32 | 36.99 | 1246.46 | 1268.09 | 1231.60 | 746.52 |
| 40 | OTHER GROUPS (87) | 769.76 | +2.0 | 8.88 | 4.16 | 14.63 | 17.14 | 754.49 | 755.00 | 746.96 | 636.72 |
| 41 | Chemicals (20) | 989.67 | +1.2 | 8.68 | 4.37 | 13.69 | 28.60 | 977.55 | 986.49 | 979.73 | 662.99 |
| 42 | Office Equipment (4) | 244.39 | +1.9 | 7.61 | 4.35 | 15.90 | 7.11 | 239.90 | 236.26 | 236.71 | 204.80 |
| 43 | Shipping and Transport (13) | 1438.71 | +0.4 | 8.46 | 4.58 | 14.98 | 41.58 | 1432.43 | 1435.20 | 1430.12 | 1279.67 |
| 45 | Telephone Networks (2) | 768.46 | +4.2 | 11.16 | 4.78 | 12.25 | 16.67 | 737.47 | 736.40 | 721.17 | 889.13 |
| 46 | Miscellaneous (48) | 1061.79 | +0.9 | 6.89 | 3.22 | 19.55 | 16.48 | 1052.61 | 1048.40 | 1041.37 | 840.49 |
| 49 | INDUSTRIAL GROUP (483) | 817.93 | +1.0 | 8.54 | 3.67 | 14.84 | 15.99 | 809.49 | 813.33 | 807.26 | 658.69 |
| 51 | Oil & Gas (17) | 1412.28 | +1.4 | 11.57 | 6.34 | 10.65 | 62.40 | 1392.29 | 1386.72 | 1378.67 | 1148.91 |
| 59 | 500 SHARE INDEX (500) | 867.71 | +1.1 | 8.92 | 4.00 | 14.16 | 19.63 | 858.57 | 861.52 | 854.66 | 700.06 |
| 61 | FINANCIAL GROUP (117) | 587.65 | +1.3 | — | 4.78 | — | 16.39 | 580.28 | 577.87 | 575.68 | 488.43 |
| 62 | Banks (7) | 645.07 | +2.0 | 19.83 | 5.64 | 6.90 | 23.94 | 632.25 | 626.39 | 628.95 | 484.07 |
| 65 | Insurance (Life) (9) | 815.31 | — | — | 4.76 | — | 26.06 | 815.30 | 820.00 | 819.97 | 752.79 |
| 66 | Insurance (Composite) (7) | 457.79 | +1.3 | — | 4.90 | — | 10.93 | 451.84 | 451.84 | 447.12 | 357.80 |
| 67 | Insurance (Brokers) (9) | 1222.18 | +0.8 | 7.72 | 4.87 | 16.93 | 35.33 | 1230.29 | 1211.58 | 1198.67 | 1107.27 |
| 68 | Merchant Banks (12) | 322.86 | +1.7 | — | 4.44 | — | 5.37 | 317.54 | 317.70 | 321.75 | 249.51 |
| 69 | Property (49) | 748.86 | +0.1 | 5.99 | 3.74 | 21.96 | 13.05 | 747.84 | 736.15 | 728.09 | 691.37 |
| 70 | Other Financial (24) | 338.76 | +0.9 | 9.19 | 4.70 | 13.24 | 8.86 | 335.62 | 337.83 | 335.42 | 285.70 |
| 71 | Investment Trusts (99) | 788.35 | +1.0 | — | 2.88 | — | 12.83 | 780.53 | 779.66 | 774.64 | 589.99 |
| 81 | Mining Finance (2) | 345.06 | +3.7 | 9.32 | 4.65 | 12.60 | 9.17 | 332.66 | 328.88 | 318.74 | 252.82 |
| 91 | Overseas Traders (13) | 685.91 | +1.4 | 11.26 | 6.41 | 10.60 | 24.33 | 676.48 | 672.47 | 667.82 | 564.41 |
| 99 | ALL-SHARE INDEX (731) | 793.09 | +1.1 | — | 3.92 | — | 18.41 | 784.21 | 785.65 | 777.75 | 653.47 |

| | Index No. | Day's Change | Day's High | Day's Low | Oct 8 | Oct 7 | Oct 6 | Oct 3 | Oct 2 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ‡ | 1608.6 | +20.8 | 1612.2 | 1591.0 | 1587.8 | 1592.3 | 1578.9 | 1560.8 | 1573.1 | 1314.1 |

### FIXED INTEREST

| | PRICE INDICES | Thurs Oct 9 | Day's change % | Wed Oct 8 | xd adj. today | xd adj. 1986 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 118.42 | +0.21 | 118.27 | 0.10 | 9.52 |
| 2 | 5-15 years | 130.60 | +0.96 | 129.64 | 0.29 | 10.09 |
| 3 | Over 15 years | 137.09 | +1.25 | 135.52 | 0.12 | 10.17 |
| 4 | Irredeemables | 152.25 | +1.03 | 150.70 | — | 8.90 |
| 5 | All stocks | 128.75 | +0.77 | 127.96 | 0.20 | 10.20 |
| | Index-Linked | | | | | |
| 6 | 5 years | 111.93 | +0.18 | 111.73 | — | 2.00 |
| 7 | Over 5 years | 111.20 | +0.12 | 111.07 | — | 2.53 |
| 8 | All stocks | 111.27 | +0.13 | 111.12 | — | 2.43 |
| 9 | Debentures & Loans | 112.03 | +0.03 | 111.99 | — | 8.12 |
| 10 | Preference | 80.92 | -0.04 | 80.96 | — | 5.07 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Thurs Oct 9 | Wed Oct 8 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 9.62 | 9.69 | 9.80 |
| 2 | Coupons | 15 years | 10.21 | 10.36 | 10.08 |
| 3 | | 25 years | 10.22 | 10.37 | 10.07 |
| 4 | Medium | 5 years | 11.10 | 11.23 | 10.67 |
| 5 | Coupons | 15 years | 10.61 | 10.76 | 10.39 |
| 6 | | 25 years | 10.43 | 10.58 | 10.29 |
| 7 | High | 5 years | 11.18 | 11.34 | 10.75 |
| 8 | Coupons | 15 years | 10.62 | 10.78 | 10.63 |
| 9 | | 25 years | 10.38 | 10.49 | 10.27 |
| 10 | Irredeemables | | 10.17 | 10.32 | 9.71 |
| | Index-Linked | | | | |
| 11 | Inflat'n rate 5% | Over 5 yrs | 4.59 | 4.67 | 0.0 |
| 12 | Inflat'n rate 5% | Over 15 yrs | 3.75 | 3.76 | 0.0 |
| 13 | Inflat'n rate 10% | Over 5 yrs | 3.28 | 3.35 | 0.0 |
| 14 | Inflat'n rate 10% | Over 15 yrs | 3.60 | 3.60 | 0.0 |
| 15 | Debs & | 5 years | 11.57 | 11.56 | 11.06 |
| 16 | Loans | 15 years | 11.52 | 11.52 | 11.04 |
| 17 | | 25 years | 11.48 | 11.48 | 11.12 |
| 18 | Preference | | 11.35 | 11.35 | 11.86 |

‡Opening index 1591.3; 10 am 1597.9; 11 am 1606.3; Noon 1607.6; 1 pm 1611.2; 2 pm 1612.1; 3 pm 1611.8; 3.30 pm 1612.0; 4 pm 1610.8.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

## LONDON TRADED OPTIONS

| Option | | Calls Oct. | Calls Jan. | Calls Apr. | Puts Oct. | Puts Jan. | Puts Apr. |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*315) | 300 | 20 | 33 | 43 | 3 | 9 | 13 |
| | 330 | 2½ | 16 | 25 | 18 | 22 | 27 |
| | 360 | 1 | 4 | 12 | 45 | 50 | 55 |
| B.P. (*703) | 550 | 156 | 175 | 188 | 1 | 3 | 5 |
| | 600 | 108 | 125 | 140 | 1 | 4 | 11 |
| | 650 | 58 | 83 | 103 | 2 | 11 | 25 |
| | 700 | 18 | 45 | 60 | 15 | 30 | 42 |
| Cons. Gold (*662) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Courtaulds (*284) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Com. Union (*283) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Cable & Wire (*322) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Distillers (*695) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| G.E.C. (*174) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Grand Met. (*450) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| I.C.I. (*1114) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Land Sec. (*313) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Marks & Spen. (*192) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Shell Trans. (*943) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Trafalgar House (*275) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Nov. | Calls Feb. | Calls May | Puts Nov. | Puts Feb. | Puts May |
|---|---|---|---|---|---|---|---|
| Midland Bk (*547) | 500 | 60 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 550 | 30 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 600 | 8 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| P. & O. (*503) | 460 | 53 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | 500 | 25 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Racal (*156) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| R.T.Z. (*717) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Vaal Reefs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tr. 11¾% 1991 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tr. 11¾% 03/07 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Dec | Calls Mar | Calls Jun | Puts Dec | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|
| Beecham | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Boots | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BTR | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Bass | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Blue Circle | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| De Beers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dixons | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| GKN | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Glaxo | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hanson | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jaguar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Tesco | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Thorn EMI | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Nov | Calls Feb | Calls May | Puts Nov | Puts Feb | Puts May |
|---|---|---|---|---|---|---|---|
| Lonrho | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Brit Aero | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| BAT Inds | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Barclays | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Brit. Telecom | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Cadbury Schweppes | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Guinness | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Imperial Gr. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ladbroke | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LASMO | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Option | | Calls Oct. | Calls Nov. | Calls Dec. | Calls Jan. | Puts Oct. | Puts Nov. | Puts Dec. | Puts Jan. |
|---|---|---|---|---|---|---|---|---|---|
| FT-SE Index (*1611) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

October 9 Total Contracts 30,153 Calls 23,348 Puts 6,805

*Underlying security price

## BASE LENDING RATES

| | % | | % |
|---|---|---|---|
| ABN Bank | 10 | Citibank NA | 10 |
| Adam & Company | 10 | Citibank Savings | †10.95 |
| Allied Arab Bk Ltd. | 10 | City Merchants Bank | 10 |
| Allied Dunbar & Co | 10 | Clydesdale Bank | 10 |
| Allied Irish Bank | 10 | Comm. Bk. N. East | 10 |
| American Exp. Bk. | 10 | Consolidated Crds | 10 |
| Amro Bank | 10 | Co-operative Bank | *10 |
| Henry Ansbacher | 10 | Cyprus Popular Bk | 10 |
| ANZ Banking Group | 10 | Duncan Lawrie | 10 |
| Associates Cap Corp | 10 | E.T. Trust | 10 |
| Banco de Bilbao | 10 | Equatorial Tst Cp plc | 10 |
| Bank Hapoalim | 10 | Exeter Trust Ltd | 10½ |
| Bank Leumi (UK) | 10 | Financial & Gen. Sec. | 10 |
| Bank Credit & Comm. | 10 | First Nat. Fin. Corp. | 11 |
| Bank of Cyprus | 10 | First Nat. Sec. Ltd. | 11 |
| Bank of Ireland | 10 | ● Robert Fleming & Co | 10 |
| Bank of India | 10 | Robert Fraser & Ptrs | 11 |
| Bank of Scotland | 10 | Grindlays Bank | ‡10 |
| Banque Belge Ltd | 10 | ● Guinness Mahon | 10 |
| Barclays Bank | 10 | HFC Trust & Savings | 10 |
| Beneficial Trust Ltd | 11 | ● Hambros Bank | 10 |
| Brit. Bank of Mid. East | 10 | Heritable & Gen. Tst. | 10 |
| ● Brown Shipley | 10 | ● Hill Samuel | §10 |
| CL Bank Nederland | 10 | C. Hoare & Co | †10 |
| Canada Permanent | 10 | Hongkong & Shanghai | 10 |
| Cayzer Ltd | 10 | Knowsley & Co. Ltd | 10½ |
| Cedar Holdings | 11 | Lloyds Bank | 10 |
| ● Charterhouse Bank | 10 | Mase Westpac Ltd | 10 |
| | | Meghraj & Sons Ltd | 10 |
| | | Midland Bank | 10 |
| | | ● Morgan Grenfell | 10 |
| | | Mount Credit Corp. Ltd | 10 |
| | | Nat. Bk. of Kuwait | 10 |
| | | National Girobank | 10 |
| | | Nat. Westminster | 10 |
| | | Northern Bank Ltd | 10 |
| | | Norwich Gen. Trust | 10 |
| | | PK Finans. Intl (UK) | 10½ |
| | | Provincial Trust Ltd | 11 |
| | | R. Raphael & Sons | 10 |
| | | Roxburghe G'rantee | 11 |
| | | Royal Bk. of Scotland | 10 |
| | | Royal Tst Co Canada | 10 |
| | | Standard Chartered | 10 |
| | | Trustee Savings Bank | 10 |
| | | TCB | 10 |
| | | UDT Mortgage Exp. | *10.9 |
| | | United Bk of Kuwait | 10 |
| | | United Mizrahi Bank | 10 |
| | | Westpac Banking Corp | 10 |
| | | Whiteaway Laidlaw | 10½ |
| | | Yorkshire Bank | 10 |

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ‡ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11¾%.

Figures for the European Options Exchange were not available for this edition.

# WORLD STOCK MARKETS

## AUSTRIA

| Oct. 9 | Price Sch. | + or – |
|---|---|---|
| Creditanst'lt pp | 3,270 | –5 |
| Goesser | 3,480 | +10 |
| Interunfall | 15,260 | |
| Jungbunzlauer | 13,060 | |
| Laenderbank | 3,355 | +25 |
| Perlmooser | 620 | +5 |
| Steyr Daimler | 156 | |
| Veitscher Mag | 10,900 | |

## BELGIUM/LUXEMBOURG

| Oct. 9 | Price Frs. | + or – |
|---|---|---|
| [illegible] | | |

## DENMARK

| Oct. 8 | Price Kr. % | + or – |
|---|---|---|
| [illegible] | | |

## FRANCE

| Oct. 9 | Price Frs. | + or – |
|---|---|---|
| [illegible] | | |

## GERMANY

| Oct. 9 | Price Dm. | + or – |
|---|---|---|
| AEG | 316.5 | –2.5 |
| Allianz Vers | 2,397 | –3 |
| BASF | 272 | |
| Bayer | 300.9 | –0.8 |
| Bayer-Hypo | 604 | –2 |
| Bayer-Verein | 546 | +4 |
| [illegible] | | |

## NORWAY

| Oct. 9 | Price Kroner | + or – |
|---|---|---|
| [illegible] | | |

## SPAIN

| Oct. 9 | Price Pts. % | + or – |
|---|---|---|
| [illegible] | | |

## SWEDEN

| Oct. 9 | Price Kroner | + or – |
|---|---|---|
| [illegible] | | |

## ITALY

| Oct. 9 | Price Lire | + or – |
|---|---|---|
| [illegible] | | |

## NETHERLAND

| Oct. 9 | Price Fls | + or – |
|---|---|---|
| [illegible] | | |

## SWITZERLAND

| Oct. 9 | Price Frs. | + or – |
|---|---|---|
| [illegible] | | |

## AUSTRALIA

| Oct. 9 | Price Aust. $ | + or – |
|---|---|---|
| [illegible] | | |
| Comalco "A" | 2.6[illegible] | |
| Consolidated Pet | 0.95 | +0.01 |
| Costain Aust | 2.85 | |
| Elders IXL | 5.0 | +0.02 |
| Energy Res | 1.62 | –0.03 |

## AUSTRALIA (continued)

| Oct. 9 | Price Aust. $ | + or – |
|---|---|---|
| [illegible] | | |

## HONG KONG

| Oct. 9 | Price H.K.$ | + or – |
|---|---|---|
| [illegible] | | |

## JAPAN

| Oct. 9 | Price Yen | + or – |
|---|---|---|
| [illegible] | | |
| M'bishi Chem | 704 | –4 |
| M'bishi Corp | 1,290 | +40 |
| M'bishi Elect | 538 | +10 |
| M'bishi Estate | 2,520 | +20 |

## JAPAN (continued)

| Oct. 9 | Price Yen | + or – |
|---|---|---|
| [illegible] | | |

## SINGAPORE

| Oct. 9 | Price $ | + or – |
|---|---|---|
| [illegible] | | |

## SOUTH AFRICA

| Oct. 9 | Price Rand | + or – |
|---|---|---|
| [illegible] | | |
| SA Brews | 15.75 | |
| Smith (CG) | 30 | |
| Tongaat Hulett | 7.5 | |

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

## CANADA

### TORONTO

*Closing prices October 9*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

† - No voting rights or restricted voting rights.

### MONTREAL

*Closing prices October 9*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

## OVER-THE-COUNTER

*Nasdaq national market, closing prices*

Continued from Page 43

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

# Indices

## NEW YORK-DOW JONES

| | Oct 9 | Oct 8 | Oct 7 | Oct 6 | Oct 3 | Oct 2 | 1985/86 High | 1985/86 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 1,798.82 | 1,803.85 | 1,784.45 | 1,784.45 | 1,774.18 | 1,781.21 | 1919.71 (4/9/86) | 1502.29 (22/1/86) | 1919.71 (4/9/86) | 41.22 (2/7/32) |
| Transport | 828.38 | 828.13 | 818.13 | 822.25 | 811.88 | 813.88 | 838.84 (31/3/86) | 686.97 (8/1/86) | 838.84 (31/3/86) | 12.32 (8/7/32) |
| Utilities | 199.22 | 198.81 | 198.27 | 200.20 | 198.62 | 198.33 | 219.15 (20/8/86) | 169.47 (22/1/86) | 219.15 (20/8/86) | 10.5 (8/4/34) |
| Trading vol | | – | 125.10 ■ | 135.32 | 128.08 | 128.86 | – | – | – | – |

| | Oct 3 | Sept 19 | Sept 12 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind Div Yield % | 3.86 | 3.88 | 3.87 | 4.84 |

### STANDARD AND POORS

| | Oct 9 | Oct 8 | Oct 7 | Oct 6 | Oct 3 | Oct 2 | 1986 High | 1986 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 261.80 | 262.06 | 260.40 | 258.75 | 258.67 | 258.11 | 282.24 (2/7) | 224.80 (22/1) | 282.24 (2/7/86) | 3.62 (30/6/32) |
| Composite | 235.85 | 238.88 | 234.41 | 234.78 | 233.71 | 233.82 | 253.3 (27/8) | 203.49 (22/1) | 253.3 (27/8) | 4.40 (1/6/32) |

| | Sept 24 | Sept 17 | Sept 10 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind div yield % | 3.09 | 3.18 | 2.88 | 3.88 |
| Ind. P/E Ratio | 16.80 | 16.58 | 17.76 | 12.13 |
| Long Gov Bond Yield | – | 7.63 | 7.48 | 10.61 |

### N.Y.S.E. ALL COMMON

| Oct 9 | Oct 8 | Oct 7 | Oct 6 | 1986 High | 1986 Low |
|---|---|---|---|---|---|
| 135.80 | 136.17 | 135.14 | 136.32 | 146.75 (4/9) | 117.75 (22/1) |

### RISES AND FALLS

| | Oct 9 | Oct 7 | Oct 6 |
|---|---|---|---|
| Issues traded | 1,973 | 1,972 | 1,930 |
| Rises | 945 | 714 | 821 |
| Falls | 571 | 790 | 683 |
| Unchanged | 461 | 468 | 435 |

### NYSE-Consolidated 1500 Actives

| | Stocks Traded | 3.00p.m. Price | Change on Day |
|---|---|---|---|
| United Air | 6,087,800 | 57⅝ | – ½ |
| USX Cp | 2,839,200 | 27¼ | – ⅜ |
| Schlumb | 2,828,800 | 32¾ | –1⅛ |
| Lucky Str | 2,433,700 | 37 | – ⅜ |
| IBM | 2,340,900 | 124⅞ | –3⅛ |
| Container Eng | 2,013,800 | 25 | + ¼ |
| Pepsico | 1,687,500 | 28⅝ | + ⅜ |
| Homestake | 1,633,800 | 19 | +1 |
| ATT | 1,590,400 | 23⅝ | + ⅛ |
| Allied Str | 1,577,200 | 66⅝ | – ⅛ |

Advances 824 Declines 672

### TORONTO

| | Oct 9 | Oct 8 | Oct 7 | Oct 6 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| Metals & Minls | 2,148.2 | 2,163.9 | 2,163.3 | 2,174.5 | 2,442.85 (21/3) | 1,917.4 (5/8) |
| Composite | 3,028.1 | 3,041.7 | 3,024.2 | 3,018.8 | 3,129.11 (18/4) | 2,754.8 (17/2) |
| MONTREAL Portfolio | 1,527.20 | 1,538.01 | 1,520.94 | 1,517.82 | 1,623.33 (16/4) | 1,386.8 (22/1) |

* Indicates pre-close figure

| | Oct. 9 | Oct. 8 | Oct. 7 | Oct. 6 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA All Ord. (1/1/80) | 1536.1 | 1532.6 | 1529.4 | 1510.8 | 1538.1 (9/10) | 1018.8 (2/1) |
| Metals & Mnls. (1/1/80) | 714.8 | 718.9 | 718.8 | 694.5 | 718.9 (8/10) | 481.1 (28/5) |
| AUSTRIA Creditbk Aktien (30/12/84) | 235.80 | 233.88 | 230.60 | 234.48 | 268.84 (25/4) | 228.58 (6/8) |
| BELGIUM Brussel SE (1/1/84) | 3858.31 | 3852.24 | 3872.80 | 3867.75 | 4054.55 (9/9) | 2768.81 (15/1) |
| DENMARK Copenhagen SE (3/1/83) | 194.10 | 192.38 | 191.88 | 189.29 | 250.76 (19/4) | 189.29 (6/10) |
| FRANCE CAC General (31/12/82) | 387.5 | 387.8 | 387.2 | 388.5 | 412.5 (1/9) | 267.8 (2/1) |
| Ind Tendance (31/12/82) | 151.1 | 151.8 | 151.3 | 151.2 | 158.0 (28/8) | 101.6 (2/1) |
| GERMANY FAZ Aktien (31/12/58) | 674.82 | 676.95 | 674.51 | 675.55 | 753.88 (17/4) | 585.82 (22/7) |
| Commerzbank (1/12/53) | 2017.7 | 2025.8 | 2019.3 | 2016.4 | 2278.8 (17/4) | 1762.4 (22/7) |
| HONG KONG Hang Seng Bank (31/7/64) | 2271.15 | 2204.41 | 2182.78 | 2084.85 | 2271.15 (9/10) | 1559.94 (19/5) |
| ITALY Banca Comm Ital. (1972) | 749.80 | 739.46 | 738.45 | 749.36 | 808.30 (20/5) | 454.67 (24/1) |
| JAPAN** Nikkei (16/5/49) | 17658.2 | 17514.5 | 17804.4 | 17435.5 | 18936.2 (20/8) | 12881.5 (21/1) |
| Tokyo SE New (4/1/68) | 1487.57 | 1465.61 | 1480.34 | 1454.85 | 1583.35 (20/8) | 1025.85 (21/1) |
| NETHERLANDS ANP.CBS General (1970) | 279.5 | 281.6 | 280.2 | 277.3 | 301.0 (6/9) | 240.4 (5/3) |
| ANP.CBS Indust (1970) | 280.5 | 281.7 | 280.8 | 277.6 | 305.9 (19/8) | 234.8 (5/5) |
| NORWAY Oslo SE (4/1/83) | 373.98 | 370.68 | 370.12 | 376.75 | 402.91 (16/1) | 331.61 (4/6) |
| SINGAPORE Straits Times (30/12/66) | 861.00 | 840.24 | 821.76 | 819.51 | 861.00 (9/10) | 583.54 (28/4) |
| SOUTH AFRICA JSE Gold (28/9/78) | — | 2022.9 | 2029.8 | 1961.9 | 2861.0 (19/8) | 1168.1 (21/4) |
| JSE Indust (28/9/78) | — | 1585.0 | 1584.0 | 1581.5 | 1682.0 (25/9) | 1018.3 (2/1) |
| SPAIN Madrid SE (30/12/85) | 199.15 | 200.79 | 200.30 | 202.57 | 200.79 (8/10) | 100.85 (6/1) |
| SWEDEN Jacobson & P (31/12/56) | 2549.31 | 2538.55 | 2415.86 | 2408.14 | 2820.82 (12/6) | 1729.57 (28/1) |
| SWITZERLAND SwissBankCpn (31/12/58) | 565.6 | 565.0 | 557.1 | 551.5 | 625.5 (9/1) | 457.2 (4/6) |
| WORLD M S. Capital Intl. (1/1/70) | — | 345.3 | 344.2 | 342.7 | 380.8 (1/9) | 249.8 (25/1) |

** Saturday October 4: Japan Nikkei 17,605.4. TSE 1,465.67.

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

## LONDON

Chief price changes (in pence unless otherwise indicated)

**RISES**

| | | |
|---|---|---|
| Ex 12 '99-02 | £107¾ | +£1½ |
| Tr 13¼ '04-08 | £123¾ | +£1¾ |
| ACM | 212 | +11 |
| Brit. Aerospace | 480 | +12 |
| Brit.-Borneo | 413 | +27 |
| Brit Telecom | 190 | + 8 |
| Britoil | 140 | + 7 |
| Brixton Estate | 178 | + 7 |
| Cable & Wireless | 322 | +11 |
| Cadbury Schw. | 185 | + 7 |
| Central Norseman | 268 | +25 |
| Cons Gold Fields | 662 | +25 |
| Extel | 348 | +20 |
| Gilbert House Invs | 85 | +20½ |
| Hawker Siddeley | 445 | +12 |
| Heath (C. E.) | 490 | +19 |
| Heatair | 171 | +10 |
| Ibstock Johnsen | 182 | +10 |
| Imp. Cont. Gas | 503 | +12 |
| Lucas Inds. | 508 | +25 |
| Milford Docks | 61 | + 9 |
| NatWest Bank | 522 | +13 |
| RTZ | 717 | +25 |
| Silkolene | 141 | +18 |
| TV-am | 193 | +17 |
| Tilbury | 166 | +11 |
| Woodchester Invs | 375 | +60 |

**FALLS**

| | | |
|---|---|---|
| McCorquodale | 263 | – 7 |
| Norton Opax | 133 | – 7 |
| Wedgwood | 536 | –32 |

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 28½ | 14¾ | AAR s | .44 | 1.9 | 17 | 401 | 23⅝ | 23⅛ | 23¼ | −½ |
| 30 | 21¾ | ADT | .92 | 3.6 | | 658 | 26¼ | 24⅝ | 25⅞ | +1 |
| 33 | 11½ | AFG s | .06l | .3 | 14 | 165 | 28⅝ | 27⅞ | 28⅝ | |
| 25⅝ | 13¾ | AGS | | | 13 | 51 | 18½ | 18⅜ | 18½ | +¼ |
| 15 | 9⅞ | AMCA | | | 256 | 4 | 10¼ | 10⅛ | 10¼ | +¼ |
| 60⅝ | 37⅞ | AMR | | | 15 | 5376 | 60½ | 58⅞ | 59 | −½ |
| 13⅞ | 9⅝ | APL | | | 6 | 45 | 12⅝ | 12½ | 12⅝ | |
| 16¾ | 10 | ARX | .72 | 6.7 | 10 | 274 | 10⅝ | 10⅜ | 10⅝ | +¼ |
| 41½ | 28¾ | ASA | 2a | 5.2 | | 447 | 39⅝ | 38⅛ | 38⅞ | −1⅛ |
| 18⅞ | 9¼ | AVX | | 3.2 | | 60 | 10⅜ | 9⅞ | 10 | +⅛ |
| 32 | 23 | AZP | 2.72 | 9.5 | 8 | 1065 | 29 | 28⅝ | 28¾ | −⅛ |
| 55 | 26⅜ | AbtLb s | .84 | 1.9 | 20 | 5824 | 44¼ | 44 | 44⅛ | −⅛ |
| 32 | 19¾ | AccoWd.56 | | 2.1 | 17 | 30 | 26⅞ | 26⅝ | 26¾ | +¼ |
| 14⅞ | 9 | AcmeC .40 | | 3.9 | | 73 | 10½ | 10⅛ | 10⅜ | +¼ |
| 8¼ | 6¼ | AcmeE.32b | | 4.9 | 14 | 12 | 6½ | 6½ | 6½ | |
| 22⅝ | 17 | AdaEx 1.90e | | 9.4 | | 174 | 20¼ | 19¾ | 20⅛ | +¼ |
| 33⅝ | 17⅛ | AdmMl .40 | | 1.6 | 11 | 53 | 24⅝ | 23¾ | 24⅝ | +⅞ |
| 20⅝ | 12⅛ | AdvSys1.45t | | 11. | 12 | 258 | 13⅝ | 12⅞ | 13⅝ | +½ |
| 32⅞ | 12⅞ | AMD | | | | 3075 | 14¼ | 13¾ | 13¾ | |
| 12⅝ | 5⅝ | Adobe n | | | | 22 | 6½ | 6¼ | 6½ | |
| 16⅝ | 13¾ | Adob pf 1.84 | | 12. | | 12 | 15⅝ | 15⅛ | 15⅝ | +⅛ |
| 20¼ | 15¼ | Adob pf 2.40 | | 13. | | 31 | 18 | 17⅞ | 17⅞ | −⅛ |
| 16⅝ | 7⅝ | Advest .12a | | .9 | 10 | 545 | 13¾ | 12¾ | 13½ | +⅝ |
| 66¼ | 43¼ | AetnLf 2.64 | | 4.6 | 9 | 6203 | 57 | 56⅝ | 56⅞ | +¼ |
| 56½ | 51½ | AetL pf4.69e | | 8.9 | | 363 | 52¾ | 52⅝ | 52¾ | −⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 43

# NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 13⅛ | 9½ | PhlE pf1.33 | | 11. | | 53 | 12⅛ | 12¼ | 12¼ | −⅛ |
| 83¼ | 32 | PhlE pf7.85 | | 10. | | z20 | 78 | 78 | 78 | +1 |
| 12⅞ | 9⅛ | PhlE pf1.28 | | 11. | | 36 | 12 | 12 | 12 | |
| 134¼ | 117⅞ | PhlE pf17.13 | | 13. | | z100 | 128 | 127 | 128 | +3 |
| 124 | 105⅛ | PhlE pf15.25 | | 13. | | z180 | 115 | 114 | 114 | −1 |
| 88½ | 67½ | PhlE pf7.80 | | 9.8 | | z480 | 79⅞ | 79 | 79⅞ | |
| 18⅛ | 12⅞ | PhlSb s .94 | | 5.3 | | 68 | 17⅞ | 16⅞ | 17⅞ | +⅝ |
| 78 | 38 | PhilMr s2.30 | | 3.3 | 12 | 12710 | 72 | 69⅞ | 69⅞ | −⅞ |
| 19 | 9⅞ | Phlpl s .36 | | 2.5 | 13 | 277 | 14⅝ | 14¼ | 14¼ | +¼ |
| 13½ | 8¼ | PhilPet .60 | | 5.6 | 10 | 11046 | 11 | 10⅝ | 10⅝ | −⅛ |
| 25½ | 19¼ | PhlPt pf2.61e | | 11. | | 6059 | 23⅝ | 22⅞ | 23⅝ | +1 |
| 41⅞ | 25½ | PhlVH .40 | | 1.0 | 16 | 142 | 40⅝ | 40⅛ | 40¼ | −½ |
| 47 | 28⅞ | PiedA s .32 | | .7 | 13 | 1965 | 47 | 45⅞ | 45⅞ | −⅝ |
| 58½ | 49½ | PiedA pf | | | | 226 | 58½ | 57¾ | 58½ | +½ |
| 22¼ | 15⅞ | PieNG s1.20 | | 5.6 | 15 | 227 | 21¾ | 21¼ | 21¼ | |
| 22⅛ | 10⅛ | Pier 1 s | | | 19 | 171 | 15¾ | 15¼ | 15⅝ | −⅛ |
| 11½ | 7½ | PilgRg n.12e | | 1.5 | | 156 | 8⅛ | 8⅛ | 8⅛ | −⅛ |
| 82⅞ | 58¾ | Pilsbry 2 | | 2.8 | 15 | 1466 | 72¼ | 71 | 71¼ | −¼ |
| 66 | 37¼ | PitnyB 1.32 | | 2.1 | 15 | 590 | 62¼ | 60½ | 61⅞ | +1⅛ |
| 130½ | 74¼ | PitnB pf2.12 | | 1.7 | | 8 | 122½ | 122 | 122 | +1 |
| 15⅞ | 10½ | Pittstn | | | 59 | 319 | 12⅛ | 11⅞ | 11⅞ | −⅛ |
| 26½ | 15 | Plains s .07 | | .3 | 58 | 59 | 24¼ | 23⅞ | 23⅞ | |
| 24 | 14⅛ | PlanRs .20 | | 1.0 | | 130 | 20¼ | 20⅛ | 20¼ | |
| 19½ | 10 | Plantm .18 | | .9 | 13 | 128 | 17 | 16⅞ | 16⅞ | −⅛ |

[illegible]

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 24¼ | 13¼ | UCCEL | | | 21 | 171 | 22¾ | 22½ | 22⅝ | −⅛ |
| 28¼ | 14⅞ | UDC s | 2 | 9.2 | 5 | 177 | 27⅞ | 21⅝ | 21⅝ | −¼ |
| 28¼ | 20 | UGI | 2.04 | 7.7 | | 95 | 26½ | 26⅛ | 26½ | +¼ |
| 13¾ | 9 | UNCInc | | | 12 | 49 | 10⅝ | 10¼ | 10¼ | −⅛ |
| 18⅝ | 10⅞ | URS | .25r | 1.7 | | 62 | 15⅝ | 15 | 15⅝ | |
| 48¾ | 32⅛ | USFG | 2.32 | 6.1 | 30 | 1667 | 38¼ | 37⅝ | 38 | |
| 57¾ | 52¾ | USFG pf4.10 | | 7.5 | | 47 | 54⅝ | 54⅛ | 54⅝ | |
| 46½ | 18½ | USG s | 1.12 | 2.8 | 11 | 2084 | 40⅞ | 39¾ | 40 | −⅛ |
| 160 | 66½ | USG pf | 1.80 | 1.3 | | 1 | 143½ | 143½ | 143½ | −1¼ |
| 32 | 14½ | USX | 1.20 | 4.3 | | 30830 | 28⅛ | 27¼ | 27¼ | −⅜ |
| 55⅝ | 23⅝ | USX pf4.50e | | 13. | | 101 | 37⅛ | 36¼ | 36⅝ | |
| 31⅞ | 22⅞ | USX pf 2.25 | | 8.6 | | 445 | 26⅛ | 25 | 26⅛ | −¼ |

[illegible]

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25¾ | 15 | Wynns .60 | | 2.6 | | 46 | 22¾ | 22½ | 22¾ | +¼ |
| | | **X Y Z** | | | | | | | | |
| 72¼ | 45¾ | Xerox | 3 | 5.6 | 16 | 4349 | 54¼ | 52⅞ | 53⅝ | −¼ |
| 58¼ | 54 | Xerox pf5.45 | | 9.6 | | 669 | 56⅝ | 56¼ | 56⅝ | +⅝ |
| 28¼ | 20⅝ | XTRA | .64 | 2.8 | | 38 | 23¼ | 23 | 23 | −¼ |
| 17⅝ | 13½ | Yorkln n | | | | 447 | 17 | 16⅞ | 17 | +½ |
| 39 | 27 | ZaleCp 1.40 | | 4.1 | | 65 | 34½ | 34 | 34½ | +¼ |
| 9½ | 3 | Zapata .08j | | | | 190 | 3⅛ | 3 | 3⅛ | +⅛ |
| 43⅞ | 21¼ | Zayre s | .32 | 1.5 | 14 | 3798 | 22½ | 21⅝ | 21⅝ | −½ |
| 17 | 9¾ | Zemex | .40 | 3.0 | 14 | 50 | 13⅝ | 12⅝ | 13⅝ | +1⅛ |
| 29⅞ | 16¼ | ZenithE | | | | 305 | 21¾ | 20¾ | 20⅞ | +¼ |
| 16¼ | 8 | ZenLb s | | | 12 | 450 | 8⅞ | 8⅝ | 8⅞ | +¼ |
| 22⅝ | 12⅛ | Zero s | .29 | 2.2 | 13 | 305 | 13¼ | 12⅝ | 13¼ | +½ |
| 45¾ | 32¼ | Zurnin 1.32 | | 3.6 | 14 | 105 | 37 | 36 | 36¾ | +¾ |
| 10⅞ | 10 | Zweig n | | | | 801 | 10⅛ | 10 | 10⅛ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE CLOSING PRICES

| Stock | Sales (Hds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

# OVER-THE-COUNTER *Nasdaq national market, closing prices*

| Stock | Sales (Hds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |

Continued on Page 41

FINANCIAL TIMES

# WORLD STOCK MARKETS

WALL STREET

## Fall in IBM undermines brief rally

A SHORT-LIVED rally in Wall Street stock prices was undermined yesterday by a further sharp fall in IBM shares, *writes Roderick Oram in New York.*

A firmer dollar helped to steady bond markets but prices were mixed in light trading as investors awaited more economic news and the long weekend ahead.

The Dow Jones industrial average of blue chip stocks closed down 7.03 at 1,796.82. The New York Stock Exchange composite index was off 0.39 at 135.90 on trading of 153.39m shares, the busiest volume in two weeks. Advancing issues edged ahead of declining by 778 to 730.

The Dow industrial had been up around 12 points in late morning but gave up the gains when stock index options edged below the price of the underlying shares.

Another crucial factor was IBM. Its shares, which had fallen sharply this week, tried to rally yesterday morning before slipping further. A steep decline set in when an influential analyst reduced his earnings estimates for 1986 and 1987. The shares closed $5½ down at $122 making a total of 11 points in three sessions.

In contrast, some other technology stocks were ahead. Burroughs, which announced workforce reductions, rose $½ to $69⅝ and Digital Equipment was up $½ to $92¼ while Cray Research was unchanged at $78⅝.

The transportation index, which is considered sensitive to economic trends, broke briefly through its previous record of 830.84 set on March 31 before falling back to 826.38, down 1.75 on the day.

WAL, a component of the index, was the most active NYSE issue with 6.01m shares traded as it eased $⅝ to $57⅜. AMR, parent of American Airlines, was down $½ at $59 while Delta edged up $⅛ to $47½.

On the takeover front, Allied Stores slipped $¼ to $66¾, below its $67 a share agreed takeover offer from Mr Edward Debartolo and associates.

Lucky Stores fell $1¼ to $36½ after it announced the sale of some stores. The move brought protest from Mr Asher Edelman whose takeover offer of $35 a share was earlier rejected by the Lucky board.

With retailers generally reporting strong sales growth in September, share prices of many major chains rose. Woolworth rose $⅝ to $41⅜ and Kmart was ahead $1⅛ at $47. J.C. Penney, which reported 5.7 per cent sales growth in September, rose $1 to $74⅝.

Shares of USX and BankAmerica, subjects to takeover bids, fell by $⅝ to $27⅜ and by $⅛ to $14¼ respectively on heavy volume. First Interbank, Bank America's suitor in an all paper offer, rose $¼ to $53⅜.

Shares of the big three car makers were mixed. General Motors fell $1⅜ to $66⅝. It announced production cuts yesterday and is widely expected to report a large third quarter operating loss.

Ford lost $1⅞ to $54⅛ despite raising its dividend as forecast to 65 cents a share from 55 cents. Ford is likely to report a small reduction in third quarter profits, as is Chrysler which yesterday eased $⅛ to $37⅛.

American Motors, the smallest domestic producer, eased $⅛ to $2⅞. It announced it would continue its no interest charge financing programme for vehicle buyers.

Pepsico rose $⅛ to $26⅛ in active trading after it reported third quarter profits of 58 cents a share

Credit markets were quiet at they prepared for the long holiday weekend and more economic news. Prices in both cash and futures markets eased at the opening but recovered by mid morning but ended the day mixed.

The price of the benchmark 7.25 per cent Treasury bond due 2016 closed unchanged at 95[11]/16 yielding 7.61 per cent. Short maturities were showing some small price rises while longer maturities posted modest losses.

Treasury bills ranged from unchanged at 5.05 per cent for three month bills to four basis points higher at 5.08 per cent for six-months and down one basis point at 5.26 per cent for year bills.

The Fed Funds rate was back near the 6 per cent level having eased substantially earlier in the week. While many saw the softening as a sign of a looser policy by the Fed, the subsequent rise seems to confirm the view that technical factors lay behind the downturn.

But the conviction continues to grow on Wall Street that the Federal Reserve Board will cut its discount rate again. Opinion differs widely, however, over the timing of it.

M-1 fell $1.4bn, slightly less than expected.

LONDON

## Optimism on Opec prevails

A SHARPLY HIGHER trend emerged in London yesterday, when optimism over the meeting of Opec ministers outweighed disappointment at the absence of any reference either to sterling or domestic interest rates from the speech by the Chancellor of the Exchequer to the Conservative Party Conference.

The FT Ordinary index gained 20 to 1268.1 with oil stocks again providing a lead.

Government bonds gained as much as 1½ points buoyed by an improvement in the pound, which would benefit quickly if Opec succeeds in holding oil prices firm.

*Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32-33.*

### HONG KONG

HEAVY institutional buying drove Hong Kong to a record high for the third consecutive day as US and Japanese fund managers switched investments from Wall Street to the local market.

The Hang Seng index rose 66.74 to 1,617.47 on turnover that edged back to HK$1.62bn from Wednesday's record HK$1.72bn. Among leaders, Cheung Kong rose HK$2 to HK$33, China Light 40 cents to HK$20.30, Hongkong Bank 30 cents to HK$8.15 and Hongkong Land 20 cents to HK$7.60.

Property issues continued to find strong demand. Hutchison Whampoa rose HK$1.50 to HK$40.75, Sun Hung Kai Properties HK$1 to HK$19.40 and Henderson Land 15 cents to HK$3.725.

### SINGAPORE

ANOTHER sharp rise was registered in Singapore as encouragement continued to be drawn from remarks by the Finance Minister earlier in the week about a recovery in the local economy.

The Straits Times industrial index rose 35.76 to 881, after Wednesday's 26.43 point gain. Turnover was worth a record S$151.5m.

SIA was the star performer gaining S$1.10 to S$9.30 following a report that the chairman may reduce the stake held by the Government to 50 per cent or less, from the present 63 per cent.

### SOUTH AFRICA

GOLD SHARES drifted lower throughout the session in Johannesburg ahead of today's national holiday with the directionless gold price aiding the trend.

Randfontein shed R10 to R465 and Bracken was 70 cents lower at R8.65. Among mining financials, Consolidated Goldfields put on R2 to R44 amid bid rumours. In platinums, Impala shed R1.50 to R50 but diamond share De Beers firmed 25 cents to R33.25.

### CANADA

DECLINES among gold and banks shares dragged Toronto back after an early rally in hefty trading.

Declining gold miners, reacting to the weaker bullion price, including Campbell Red Lake, C$⅝ lower at C$29⅝ and Dome Mines, C$¼ lower at C$9¼.

Bank of Montreal led its sector lower with a C$1 fall to C$34½.

EUROPE

## Montedison, Philips take centre stage

CORPORATE developments provided the only significant impetus to trading on European bourses yesterday.

**Amsterdam** was pulled lower by Philips' expectations of lower third-quarter profits. Philips' share price dropped Fl 7.20 to Fl 47.70.

Among other internationals, Unilever was off 70 cents to Fl 481 and KLM was down 60 cents at Fl 46.10. But Royal Dutch added Fl 1 to Fl 205.40 on overseas demand based on hopes that Opec's production agreement will be extended.

Océ-van der Grinten, the copier group lost Fl 9 to end at Fl 517 as the market assessed its third quarter results.

**Milan** was again boosted by heavy buying of Montedison shares as market rumours continued about a battle for control of the chemicals group. There were reports that a public tender for Montedison shares was in the offing, but those were denied by the stock exchange commission.

After the markets closed, Gruppo Ferruzzi, the large agricultural business concern, said it had raised its stake in Montedison's ordinary voting stock to about 14.5 per cent from 1.6 per cent.

**Stockholm** continued to climb, persistently ignoring the public sector stirke, and the Veckans Affarer all-share index closed at 913.3 after 911.1 on Wednesday – a 16-point rise since Monday. Turnover was lower than in the previous session, however, and gains were slightly pared by profit-taking late in the day.

Pharmacia, suspended from trading on Wednesday prior to its agreed bid for medical equipment firm LKB, eased SKr 1 to SKr 192.

Fermenta's share price was boosted SKr 12 to SKr 140 by news that it was selling its main agrochemicals operation in the US, a move expected to put further obstacles in the way of a takeover by Montedison.

**Frankfurt** was mainly easier as early activity evaporated and the lack of clarity over interest rates and the dollar continued to weigh on the market. The Commerzbank index fell 7.3 to 2,017.7.

Heavy selling pushed down the price of ball bearings manufacturer Kugelfischer, which is planning a rights issue, by DM 40 to DM 520, and that of sports goods group Puma, hit by problems in the US, by DM 55 to DM 800.

Bond prices tended lower in a dull session as investors awaited the Bundesbank's council meeting, which left interest rates unchanged. At the long end there were falls of up to 30 pfg, but also a few gains of 10 pfg. The Bundesbank bought DM 36.8m worth of paper after buying DM 57.3m on Wednesday.

**Zurich** saw early gains reduced by profit-taking which left share prices narrowly mixed. The fall in short-term interest rates continued to exert a positive influence on the market.

Insurers saw Winterthur bearer ease SFr 25 to SFr 6,950, while Zurich jumped SFr 125 to SFr 8,000 before profit-taking pushed it back to SFr 7,900, only SFr 25 higher.

**Brussels** had a hesitant session, with many investors awaiting a parliamentary debate on the linguistic dispute between the country's French- and Flemish-speaking commmities. Shares closed narrowly mixed.

Wagons Lits, which is planning a big expansion, mainly into hotels, was steady at BFr 5,330.

**Paris** also finished narrowly mixed. Schneider continued Wednesday's climb, ending FFr 61 higher at FFr 726. Other big gains included Matra, up FFr 110 at FFr 2,430.

**Madrid** fell in quiet trading.

**Oslo** moved higher as nervousness over the 1987 budget earlier this week began to fade and Norsk Hydro, which had fallen on low oil prices and poor fertilizer sales, picked up NKr 6.50 to NKr 140.00.

### AUSTRALIA

GAINS in blue chip industrials, in line with a firmer local currency, took Sydney to a sixth successive record high as investors turned their attention away from the gold sector that had propelled the market during the previous five sessions.

Falling money market interest rates also tended to provide a boost to sentiment, spurring banks, developers and media issues ahead.

At the close, the All Ordinaries index was up 5.5 at 1,338.1.

BHP was briskly traded, closing steady at A$8.60 with nearly 2m shares exchanged, including a special line of 500,000 shares at that price.

Elders IXL managed a 2 cent advance to A$5, while Bell Resources, making a tender offer to raise its stake in Morgan Crucible of the UK, was unchanged at A$4.50.

TOKYO

## Electric powers are bright spot

SECURITIES houses and individual investors drew encouragement from the overnight gain on Wall Street and sought electric powers and blue chips in Tokyo yesterday, pushing prices up sharply, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average jumped 135.43 to 17,850.23 and volume surged from 357.25m shares to 481.59m. Gains led losses 469 to 337, with 144 issues unchanged.

New York's recovery was the only bright news for investors, who had been discouraged by uncertainty over co-ordinated discount rate cuts by major industrial countries and crude oil prices. None the less, institutional investors remained cautious and the market still lacked enough energy for a full recovery. Securities houses chiefly bought local power firms and smaller blue chips with comparatively small capitalisation.

Tokyo Electric Power shot up Y220 to Y8,020, regaining the Y8,000 level, and Kansai Electric Power advanced Y100 to Y3,800. Buying shifted to local power firms because leading companies' margin buying balances were high.

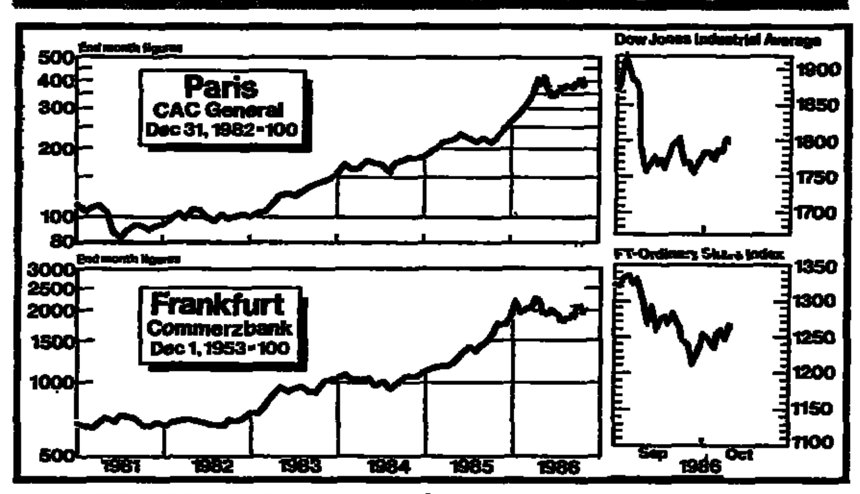
Share prices have see-sawed since Monday. One brokerage house said the firmer market had not been expected ahead of the public forthcoming holidays today and tomorrow.

Dealers and institutional investors alike were unwilling to participate in the bond market as hopes faded for co-ordinated discount rate cuts.

They were depressed by Wednesday's sharp rise in federal fund rates on the New York bond market, Bank of Japan Governor Satoshi Sumita's continued caution on the likelihood of another discount rate reduction this year and the growing conviction that the West German Bundesbank will not lower its discount rate for the time being.

The yield on the benchmark 6.2 per cent government bond due in July 1995 rose from 4.740 per cent Wednesday to 4.760 per cent. The Bank of Japan bought Y50bn worth of government bonds with about nine years maturity. But this had little impact on the market.

## KEY MARKET MONITORS




STOCK MARKET INDICES

| | Oct 9 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1,796.82 | 1,803.85 | 1,326.72 |
| DJ Transport | 826.38 | 828.13 | 642.56 |
| DJ Utilities | 199.22 | 198.81 | 154.08 |
| S&P Composite | 716.21 | 236.68 | 182.52 |
| **LONDON** | | | |
| FT Ord | 1,268.1 | 1,248.1 | 1,007.0 |
| FT-SE 100 | 1,591.0 | 1,567.8 | 1,308.1 |
| FT-A All-share | 791.09 | 782.10 | 635.79 |
| FT-A 500 | 867.71 | 858.37 | 700.06 |
| FT Gold mines | 332.1 | 333.5 | 290.2 |
| FT-A Long gilt | 10.36 | 10.49 | 10.20 |
| **TOKYO** | | | |
| Nikkei | 17,850.23 | 17,514.80 | 12,957.2 |
| Tokyo SE | 1,487.37 | 1,469.61 | 1,033.33 |
| **AUSTRALIA** | | | |
| All Ord. | 1,338.1 | 1,332.6 | 1,023.6 |
| Metals & Mins. | 714.8 | 718.9 | 529.9 |
| **AUSTRIA** | | | |
| Credit Aktien | 233.00 | 233.98 | n/a |
| **BELGIUM** | | | |
| Belgian SE | 3,836.31 | 3,852.24 | 2,500.33 |
| **CANADA** | | | |
| **Toronto** | | | |
| Metals & Mins | 2,148.2 | 2,183.9 | 1,843 |
| Composite | 3,029.1 | 3,041.7 | 2,618.4 |
| **Montreal** | | | |
| Portfolio | 1,527.20 | 1,538.01 | 126.84 |
| **DENMARK** | | | |
| SE | 194.10 | 192.38 | 232.23 |
| **FRANCE** | | | |
| CAC Gen | 387.50 | 387.00 | 205.9 |
| Ind. Tendance | 151.10 | 151.00 | 75.2 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 674.32 | 676.95 | 543.78 |
| Commerzbank | 2,017.70 | 2,025.00 | 1,596.5 |
| **HONG KONG** | | | |
| Hang Seng | 2,271.15 | 2,204.41 | 1,587.99 |
| **ITALY** | | | |
| Banca Comm. | 749.60 | 739.46 | 408.94 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 279.50 | 281.80 | 211.2 |
| ANP-CBS Ind | 280.30 | 281.70 | 185.5 |
| **NORWAY** | | | |
| Oslo SE | 373.98 | 370.68 | 378.01 |
| **SINGAPORE** | | | |
| Straits Times | 881.00 | 845.24 | 764.87 |
| **SOUTH AFRICA** | | Prev | Year Ago |
| JSE Golds | — | 2,022.0 | 1,047.4 |
| JSE Industrials | — | 1,365.0 | 974.1 |
| **SPAIN** | | | |
| Madrid SE | 199.15 | 200.79 | 85.88 |
| **SWEDEN** | | | |
| J & P | 2,549.31 | 2,536.55 | 1,367.74 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 563.50 | 563.00 | 484.7 |
| **WORLD** | Oct 8 | | |
| MS Capital Int'l | 345 | 344.2 | 224.2 |

COMMODITIES

| (London) | Oct 9 | Prev |
|---|---|---|
| Silver (spot fixing) | 399.85p | 398.50p |
| Copper (cash) | £945.0 | £950.50 |
| Coffee (Nov) | £2,275.00 | £2,340.00 |
| Oil (Brent blend) | $14.20 | $14.25 |

GOLD (per ounce)

| | Oct 9 | Prev |
|---|---|---|
| London | $433.375 | $439.375 |
| Zürich | $433.375 | $439.375 |
| Paris (fixing) | $432.64 | $436.18 |
| Luxembourg | $436.00 | $439.50 |
| New York (Dec) | $433.00 | $442.40 |

CURRENCIES

| (London) | US DOLLAR Oct 9 | US DOLLAR Previous | STERLING Oct 9 | STERLING Previous |
|---|---|---|---|---|
| $ | — | — | 1.4215 | 1.4200 |
| DM | 2.0055 | 1.9970 | 2.85 | 2.8135 |
| Yen | 154.90 | 154.25 | 220.25 | 219 |
| FFr | 6.5575 | 6.5345 | 9.3125 | 9.28 |
| SFr | 1.6300 | 1.6270 | 2.3175 | 2.31 |
| Guilder | 2.2635 | 2.2555 | 3.2175 | 3.2025 |
| Lira | 1,386.0 | 1,382.0 | 1,970 | 1,962.5 |
| BFr | 41.60 | 41.45 | 59.15 | 58.85 |
| C$ | 1.3870 | 1.3865 | 1.9710 | 1.9685 |

INTEREST RATES

| | Oct 9 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 11 1/16 | 10 15/16 |
| SFr | 4 1/16 | 4 |
| DM | 4⅞ | 4¾ |
| FFr | 8⅝ | 8⅝ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 5⅞ | 5¾ |
| 6-month US$ | 5⅞ | 5⅞ |
| **US Fed Funds** | 5 15/16* | 5¾ |
| **US 3-month CDs** | 5.50* | 5.50 |
| **US 3-month T-bills** | 5.05* | 5.04 |

US BONDS

| Treasury | | October 9* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|---|
| 6½ | 1988 | 100 3/32 | 6.135 | 100 5/32 | 6.084 |
| 7¼ | 1993 | 101 9/32 | 7.106 | 101 19/32 | 7.049 |
| 7¼ | 1996 | 100 1/32 | 7.316 | 100 9/32 | 7.273 |
| 7¼ | 2016 | 95 11/16 | 7.64 | 96 7/32 | 7.568 |

Source: Harris Trust Savings Bank

Treasury Index

| Maturity (years) | Return index | Oct 9* Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 158.74 | −0.01 | 7.00 | +.00 |
| 1–10 | 150.06 | +0.08 | 6.64 | −.01 |
| 1– 3 | 140.81 | +0.04 | 6.17 | +.00 |
| 3– 5 | 152.77 | +0.07 | 6.81 | −.01 |
| 15–30 | 180.78 | −0.37 | 8.20 | +.02 |

Source: Merrill Lynch

| Corporate | October 9* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 3⅞ July 1990 | 91.779 | 6.400 | 91⅝ | 6.448 |
| SCBT South Central | | | | |
| 10⅜ Jan 1993 | 107.25 | 9.352 | 107.25 | 9.352 |
| Phibro-Sal | | | | |
| 8 April 1996 | 99 | 8.153 | 99 | 8.153 |
| TRW | | | | |
| 8⅜ March 1996 | 102 | 8.434 | 102 | 8.434 |
| Arco | | | | |
| 9⅞ March 2016 | 105.75 | 9.298 | 106 | 9.275 |
| General Motors | | | | |
| 8⅜ April 2016 | 89.75 | 9.133 | 90 | 9.107 |
| Citicorp | | | | |
| 9⅞ March 2016 | 97.5 | 9.630 | 97⅝ | 9.604 |

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Dec | 96-23 | 96-25 | 96 | 96-31 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| Dec | 95.05 | 95.06 | 95.02 | 95-08 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| Dec | n/a | n/a | n/a | n/a |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| Dec | 94.24 | 94.25 | 94.21 | 94.24 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| Dec | 111-11 | 111-3 | 101-3 | 110-25 |

* Latest available figures